

NONGOMA MUNICIPALITY

(Final budget and Medium Term Revenue Expenditure Framework for 2015 -2016 term)



FINAL ANNUAL BUDGET OF NONGOMA MUNICIPALITY

**2015/16 TO 2017/18
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**

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Abbreviations and Acronyms

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>KPI</i>	<i>Key Performance Indicator</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CM</i>	<i>City Manager</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DORA</i>	<i>Division of Revenue Act</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>FBS</i>	<i>Free basic services</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>HR</i>	<i>Human Resources</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IT</i>	<i>Information Technology</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>KM</i>	<i>Kilometre</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KPA</i>	<i>Key Performance Area</i>		

Part 1 – Annual Budget

1.1 Mayor's Budget Speech

Honorable Speaker – Cllr A N Mchunu

Honorable Deputy Mayor – Cllr T B Nyoka

Honorable Members of the Executive Committee

Honorable Councillors

Municipal Manager – Mr. BE Ntanzi

Heads of Department

Ladies and Gentlemen

I am honored to present to you the final budget for 2015/16 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

In the past five years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. Nongoma Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of ~~%~~doing business smarter+.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

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The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2015/16 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate . you the voter, you the community member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

We have started a revenue enhancement project, the vehicle testing centre which will be finalized in the new financial year. This project aims at increasing our revenue base, which will result in the upward revision of the grade of this municipality.

This budget is viewed by us as a budget for the people by the people. It covers the aspirations of our youth, by looking at their future. It talks to the needs of people living with HIV and AIDS. It does not discriminate people living with disabilities. It was done according to the budget guidelines.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2015/16 MTREF Budget:

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total operating revenue	133 251 985	123 290 292	152 789 147	152 932 687	150 760 021
Total operating expenditure	124 449 445	117 909 629	142 766 672	141 100 165	149 156 557
Surplus/(Deficit)	8 802 539	5 380 662	10 022 475	11 832 522	1 603 465
Total capital expenditure	57 938 000	49 543 000	47 873 000	50 699 000	49 673 000
Total annual budget of the municipality	182 387 445	167 452 629	190 639 672	191 799 165	198 829 557

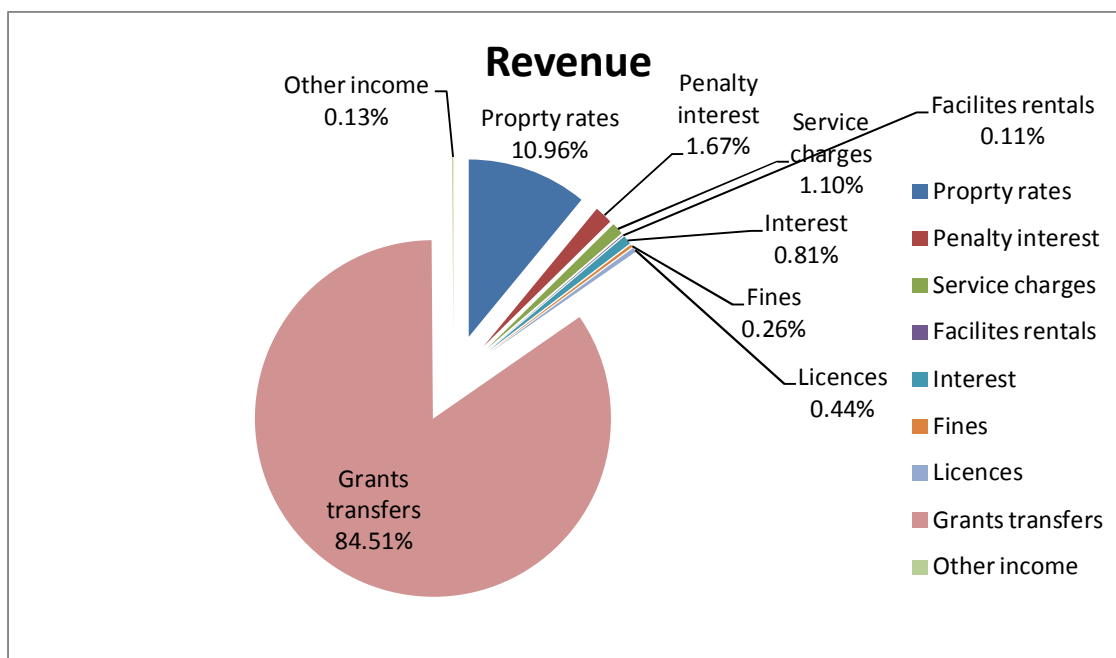
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Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

a) Detailed operating revenue

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source					
Property rates	23 407 249	15 792 473	16 740 021	17 744 423	18 809 088
Property rates - penalties & collection charges	4 974 711	2 411 465	2 556 153	2 709 522	2 872 093
Service charges - refuse revenue	1 601 966	1 601 966	1 678 860	1 777 913	1 877 476
Rental of facilities and equipment	176 649	164 224	172 106	182 261	192 467
Interest earned - external investments	511 728	1 186 979	1 243 954	1 317 348	1 391 119
Fines	71 320	378 814	396 997	420 420	443 963
Licences and permits	1 010 000	640 160	670 888	710 470	750 257
Transfers recognised - operational	100 870 000	100 720 000	129 124 000	127 852 000	124 193 000
Other revenue	628 363	394 211	206 167	218 331	230 558
Total Revenue (excluding capital transfers and contributions)	133 251 985	123 290 292	152 789 147	152 932 687	150 760 021



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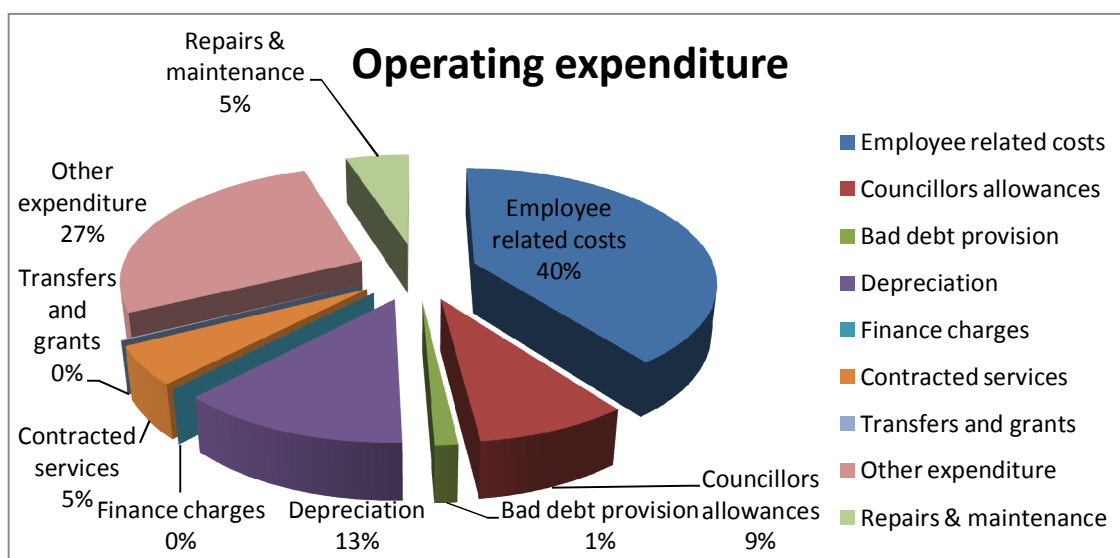
(Final budget and Medium Term Revenue Expenditure Framework for 2015 -2016 term)

b) Detailed operating expenditure

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type					
Employee related costs	49 590 511	49 823 224	56 680 739	60 166 604	63 686 350
Remuneration of councillors	11 052 242	11 424 529	11 995 756	12 595 543	13 225 321
Debt impairment	1 271 844	1 271 844	1 818 569	1 925 864	2 033 712
Depreciation & asset impairment	10 587 673	8 587 673	18 330 302	9 931 045	10 472 304
Finance charges	462 398	44 926	19 468	587	-
Contracted services	15 632 397	15 041 432	14 785 329	15 733 897	16 710 433
Transfers and grants	122 184	141 000	207 411	156 108	164 850
Other expenditure	35 730 197	31 575 001	38 929 100	40 590 517	42 863 586
Total Expenditure	124 449 445	117 909 629	142 766 672	141 100 165	149 156 557

For the purpose of strengthening human capital in the various departments, provision has been made in the budget for positions to be filled during budget period as follow:

- ✚ Technical Services: 2xTechnicians, ISD Officer.
- ✚ Social Services: Manager: Community Services, 2 x Traffic officers, 2 x Traffic wardens, Natis Clerk, 2 x Rangers, Examiner, Pitman, 2 x Peace Officers
- ✚ Corporate Services: Manager Human Resources, 2 x IT Technicians, Legal practitioner, Cleaning supervisor
- ✚ Planning department: Environmental officer, Planning admin officer
- ✚ Internal Auditor



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Mr Speaker, the R38.9 million for other expenditure is broken down as follows:

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Advertising & Recruit	314 714.70	573 101.12	600 609.98	636 045.96	671 664.54
Audit Fees	1 632 965.18	1 632 965.18	1 711 347.51	1 812 317.02	1 913 806.77
Internal Audit Fees	500 000.00	-	300 000.00	317 700.00	335 491.20
Catering & Refreshment	545 701.56	364 701.90	386 207.59	408 993.84	431 897.49
Debts Collection	996 000.00	-	600 000.00	-	-
Pauper Burials	500 000.00	500 000.00	524 000.00	554 916.00	585 991.30
HIV/Aids	1 500 000.00	1 000 000.00	1 048 000.00	1 109 832.00	1 171 982.59
Public Participation	600 000.00	400 000.00	419 200.00	443 932.80	468 793.04
Sports	1 500 000.00	1 500 000.00	1 572 000.00	1 664 748.00	1 757 973.89
Tourism Artwork	35 000.00	102 180.00	207 084.64	219 302.63	231 583.58
Legal Fees	558 515.04	975 852.19	1 022 693.10	1 083 031.99	1 143 681.78
Transport costs	133 489.85	260 518.39	273 023.28	289 131.65	305 323.02
Printing & Stationery	807 853.70	377 945.79	643 687.19	681 664.74	719 837.96
Ward Committees	2 520 000.00	1 337 342.96	1 401 535.42	1 484 226.01	1 567 342.67
Conference & Seminars	145 850.11	255 433.66	297 694.57	315 258.55	332 913.03
Subsistence & Transport	2 137 511.93	2 261 398.39	2 369 945.52	2 509 772.30	2 650 319.55
Accommodation costs	1 569 759.55	809 128.00	1 164 617.41	1 233 329.84	1 302 396.31
Teas & Cleaning	115 065.07	88 389.29	92 631.97	98 097.26	103 590.70
Telephone	662 262.62	402 151.90	421 455.20	446 321.05	471 315.03
Disasters	700 000.00	700 000.00	733 600.00	776 882.40	820 387.81
Insurance	1 631 093.50	831 093.50	1 661 385.99	1 759 407.76	1 857 934.60
Bank Charges	52 846.87	97 360.13	102 033.42	108 053.39	114 104.38
Training	769 157.01	431 212.15	967 068.40	1 024 125.43	1 081 476.46
Disabled Persons	528 000.00	528 000.00	553 344.00	585 991.30	618 806.81
Software & Licences	854 397.99	820 907.05	860 310.58	911 068.91	962 088.77
Professional Fees	4 577 853.58	6 190 184.23	7 309 905.85	7 741 190.29	8 174 696.95
Policies, plans development & review	2 955 800.00	2 455 800.00	2 747 990.40	2 910 121.83	3 073 088.66
Small Tools	140 765.32	165 992.28	188 497.62	199 618.98	210 797.65
Protective Clothing	509 503.55	591 434.47	826 075.96	874 814.44	923 804.05
Refuse bags	221 583.99	161 019.20	168 748.12	178 704.26	188 711.69
Fuel	1 108 417.12	822 083.27	861 543.26	912 374.32	963 467.28
Water and Electricity	275 077.60	358 991.76	376 223.37	398 420.55	420 732.10
IDP Planning	1 100 000.00	1 000 000.00	1 190 000.00	1 260 210.00	1 330 781.76
LED Projects	2 400 000.00	2 400 000.00	3 150 000.00	3 335 850.00	3 522 657.60
Subscriptions - Membership fees	-	500 000.00	524 000.00	554 916.00	585 991.30
Communication	-	-	940 000.00	995 460.00	1 051 205.76
Youth Development	750 000.00	500 000.00	524 000.00	554 916.00	585 991.30
Shared Services	380 000.00	180 000.00	188 640.00	199 769.76	210 956.87
	35 729 185.86	31 575 186.83	38 929 100.34	40 590 517.26	42 863 586.23

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c) Capital Expenditure

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure on new assets by Asset Class/Sub-class					
Infrastructure	51 679	45 679	42 381	44 099	48 173
Infrastructure - Road transport	45 679	39 679	30 381	31 499	33 173
Infrastructure - Electricity	6 000	6 000	12 000	12 600	15 000
Other assets	6 259	3 864	5 492	6 600	1 500
General vehicles	1 950	1 100	3 130	5 600	500
Plant & equipment	1 454	1 454	353	–	–
Computers - hardware/equipment	258	283	277	–	–
Furniture and other office equipment	497	497	1 232	–	–
Other Buildings (Fencing)	–	–	200	1 000	1 000
Other	2 100	530	300	–	–
Total Capital Expenditure on new assets	57 938	49 543	47 873	50 699	49 673

Capital projects to be undertaken over the medium-term includes, amongst others:

- ✚ *Electrification projects to the value of R12 million*
- ✚ *Construction of recreational facilities (sports fields) – R5.7 million;*
- ✚ *Construction of rural roads – R17.1 million;*
- ✚ *Construction of community halls – R7.9 million*
- ✚ *Fencing : planning department - R0.200 million*
- ✚ *Purchase of vehicle for technical related services namely, 10m3 Tip truck, Walk behind roller, TLB, Whackers x 2 and 1 Ton Flatbed truck.*
- ✚ *Furniture*
- ✚ *Computers equipments*

The municipality will be implementing the expanded public works programme for an amount of R1.6 million as per the National Treasury allocation.

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Tariffs

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 6%. Municipalities are required to justify all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs has been increased by 6% while tariffs for other service charges have been increased by the same 6% for the 2015/16 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2015/16 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mr BE Ntanzu, the Chief Financial Officer Mr M Mthembu, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

Hon Councillor J B Mavundla
Mayor of Nongoma Municipality.

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1.2 Council Resolutions

On 28 May 2015 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The final annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 14;
 - 1.2.2. Budgeted Cash Flows as contained in Table 15;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;
 - 1.2.4. Asset management as contained in Table 17; and
 - 1.2.5. Basic service delivery measurement as contained in Table 18.

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2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:

2.1. the tariffs for property rates .

3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarized as follows:

É The ongoing difficulties in the national and local economy;

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- É The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- É Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- É Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- ✚ The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- ✚ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of solid waste disposal. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- ✚ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is an overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2014/15 MTREF

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total operating revenue	133 251 985	123 290 292	152 789 147	152 932 687	150 760 021
Total operating expenditure	124 449 445	117 909 629	142 766 672	141 100 165	149 156 557
Surplus/(Deficit)	8 802 539	5 380 662	10 022 475	11 832 522	1 603 465
Total capital expenditure	57 938 000	49 543 000	47 873 000	50 699 000	49 673 000
Total annual budget of the municipality	182 387 445	167 452 629	190 639 672	191 799 165	198 829 557

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Total operating revenue has grown by 23.93% or R29.4 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 9% and decrease by 1.4% in 2017/18, equating to a total revenue growth of R27.4 million over the MTREF when compared to the 2014/15 financial year.





Total operating expenditure for the 2015/16 financial year has been appropriated at R142.7 million and translates into a budgeted surplus of R10.0 million. When compared to the 2014/15 Adjustments Budget, operational expenditure has grown by 21% in the 2015/16 budget and by 19% in 2016/17 and 26.5% in 2017/18. The surpluses of R10.0 million, R11.8 million and R1.6 million in 2015/16, 2016/17 and 2017/18 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R47.8 million for 2015/16 is 3.4 per cent less when compared to the 2014/15 Adjustment Budget. The capital programme increases to R50.6 million in the 2016/17 financial year and decreases to R49.6 million in 2017/18. A substantial portion of the capital budget will be funded from conditional grants over the MTREF. No intended borrowings will be earmarked to fund capital project in 2015/16. The balance will be funded from internally generated funds.

1.4 Operating Revenue and Expenditure Framework

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

-  National Treasury's guidelines and macroeconomic policy;
-  Growth in the Municipality and continued economic development;
-  Efficient revenue management, which aims to ensure an annual collection rate of not less than 75% for property rates and other key service charges;
-  Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

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- ✚ The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- ✚ Increase ability to extend new services and recover costs;
- ✚ The municipality's Indigent Policy and rendering of free basic services; and
- ✚ Tariff policies of the Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1						
Revenue By Source							
Property rates	2	12 320	23 407	15 792	16 740	17 744	18 809
Property rates - penalties & collection charges			4 975	2 411	2 556	2 710	2 872
Service charges - refuse revenue	2	1 515	1 602	1 602	1 679	1 778	1 877
Rental of facilities and equipment		117	177	164	172	182	192
Interest earned - external investments		476	512	1 187	1 244	1 317	1 391
Fines		334	71	379	397	420	444
Licences and permits		678	1 010	640	671	710	750
Transfers recognised - operational		85 942	100 870	100 720	129 124	127 852	124 193
Other revenue	2	931	628	394	206	218	231
Total Revenue (excl. capital trans and contr)		103 670	133 252	123 290	152 789	152 933	150 760

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 15.4 per cent of the total revenue mix. In the 2015/16 financial year, revenue from rates and services charges totalled R23.6 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 10.9 per cent or R16.7 million rand and increases to R18.8 million by 2017/18. The third largest sources is other revenue which consists of various items such as income received from permits and licenses, building plan fees,

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connection fees, transport fees and advertisement fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R129.1 million in the 2015/16 financial year and decreases to R127.8 million and R124.1 in 2016/17 and 2017/18 respectively. The decrease in 2016/17 and 2017/18 financial years is mainly due to decrease in projected equitable share allocation.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating Transfers and Grants										
National Government:		55 328	75 072	84 632	100 009	100 009	100 009	128 351	127 041	123 343
Local Government Equitable Share		53 088	71 777	81 167	96 234	96 234	96 234	123 997	124 259	120 410
Finance Management		1 450	1 500	1 643	1 800	1 800	1 800	1 800	1 825	1 900
Municipal Systems Improvement		790	800	865	934	934	934	930	957	1 033
EPWP Incentive		–	995	956	1 041	1 041	1 041	1 624	–	–
Provincial Government:		233	301	691	811	661	661	723	761	800
Provincialisation of Libraries		233	245	514	535	535	535	553	582	612
Community Library Services		–	–	120	126	126	126	170	179	188
sports fields maintenance		–	–	43	150	–	–	–	–	–
District Municipality:		100	20	–	50	50	50	50	–	–
Tourism		100	20	–	50	50	50	50	–	–
Total Operating Transfers and Grants	5	55 661	75 393	85 322	100 870	100 720	100 720	129 124	127 802	124 143
Capital Transfers and Grants										
National Government:		61 368	71 787	58 130	45 679	45 679	45 679	42 891	44 609	48 683
Municipal Infrastructure Grant (MIG)		20 868	17 936	25 950	29 812	29 812	29 812	30 891	32 009	33 683
Neighbourhood Development Partnership		40 500	37 685	22 604	9 867	9 867	9 867	–	–	–
Integrated National Electrification Programme		–	16 166	9 576	6 000	6 000	6 000	12 000	12 600	15 000
Total Capital Transfers and Grants	5	61 368	71 787	58 750	45 679	45 679	45 679	42 891	44 609	48 683
TOTAL RECEIPTS OF TRANSFERS & GRANTS		117 029	147 180	144 072	146 549	146 399	146 399	172 015	172 411	172 826

Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

1.4.1 Property Rates





Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

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National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

-  The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
-  100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
-  For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
-  The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur

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sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 6% increase from 1 July 2014 is contained below:

Table 4 Comparison of proposed rates to be levied for the 2014/15 financial year

Category	Proposed Tariff (1 July 2015)	Current Tariff (1 July 2014)
	C	C
Residential property (Rebate – 30%)	0.0139	0.0131
Agricultural land	0.0036	0.0034
Public Service Infrastructure	0.0246	0.0034
Business property	0.0277	0.0261
Commercial property	0.0277	0.0261
Industrial property	0.0277	0.0261
Mining land	0.0277	0.0261
Vacant land	0.0553	0.0522
Indigent property	-	-
Specialised NMP	0.0139	0.0131
Municipal property	Nil	Nil

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

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A 6% increase in the waste removal tariff is proposed from 1 July 2014. Any increase higher than 6% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2015:

Table 5 Comparison between current waste removal fees and increases

Category	Proposed Tariff (1 July 2015)	Current Tariff (1 July 2014)
	R	R
Domestic Consumers	101	95.40
Business:		
- Bulk	3 275	3 090
- Small	395	372
Governmental Institutions:		
Hospitals/Clinics	3 275	3 090
- Educational	3 275	3 090
- Other	3 275	3 090
Market Stalls	101	95
Hall Rental (Refundable Deposit of R300)	2 000	1 887
Billboards	580	548

Table 6 Summary of operating expenditure by standard classification item

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Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type					
Employee related costs	49 590 511	49 823 224	56 680 739	60 166 604	63 686 350
Remuneration of councillors	11 052 242	11 424 529	11 995 756	12 595 543	13 225 321
Debt impairment	1 271 844	1 271 844	1 818 569	1 925 864	2 033 712
Depreciation & asset impairment	10 587 673	8 587 673	18 330 302	9 931 045	10 472 304
Finance charges	462 398	44 926	19 468	587	-
Contracted services	15 632 397	15 041 432	14 785 329	15 733 897	16 710 433
Transfers and grants	122 184	141 000	207 411	156 108	164 850
Other expenditure	35 730 197	31 575 001	38 929 100	40 590 517	42 863 586
Total Expenditure	124 449 445	117 909 629	142 766 672	141 100 165	149 156 557

The budgeted allocation for employee related costs for the 2015/16 financial year totals R56.6 million, which equals 40% of the total operating expenditure. Based on MFMA circular 75, salary increases have been factored into this budget at a percentage increase of 4.4% for the 2015/16 financial year. Compared to 2014/15, employee related costs have increased by 13.7% partly due to provision for additional employees required to fill vacant critical posts. An annual increase of 6.15% and 5.85% have been included in the two outer years of the MTREF respectively in the absence of an agreement between SALGA and Trade Unions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 5% has been factored into the budget for this financial year.

The provision of debt impairment was determined based on an annual collection rate of 75 per cent and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R1.8 million and increases up to R2.0 million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R18.3 million for the 2015/16

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financial and equates to 12.8% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years and going forward.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.01% (R19 thousand) of operating expenditure. This is due to the fact that no long-term finance projected to be sourced next financial year. Contracted services comprise budgeted expenditure for security services and waste management services. In the 2015/16 financial year, this group of expenditure totals R14.7 million or 11.3%. For the two outer years increased to R15.7 and R16.7 millions respectively.

Transfers and grants of R147 thousand relates to the provision for 50kwv free basic electricity (FBE). The above provision is anticipated to increase after additional beneficiaries has been identified. Included in this figure is proposed R60 000 to be transferred to the local tourism association in Nongoma office.

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget has been limited to R38.9 million for 2015/16 and R40.5 million and R42.8 million for the two outer years.

1.4.3 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

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Table 7 Operational repairs and maintenance

Description	Ref	2011/12	2012/13	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Infrastructure - Road transport		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Roads, Pavements & Bridges		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Other assets		941	1 529	4 587	3 651	3 651	2 794	2 958	3 124
General vehicles		447	510	1 009	1 109	1 109	1 162	1 230	1 299
Plant & equipment		40	255	101	66	66	69	73	77
Computers - hardware/equipment		39							
Furniture and other office equipment		200							
Other Buildings		216	765	3 476	2 476	2 476	1 562	1 655	1 747
Total Repairs and Maintenance Expenditure	1	2 842	2 548	8 672	7 848	7 848	7 192	7 616	8 043
R&M as a % of PPE		2.0%	1.3%	2.7%	2.9%	2.9%	2.3%	2.2%	2.0%
R&M as % Operating Expenditure		3.3%	2.6%	7.0%	6.7%	6.7%	5.5%	5.5%	5.5%

The infrastructure relating to electricity, water and sanitation is now the responsibility of the District Municipality. The total allocation for 2015/16 equates to R7.1 million and R7.6 million and R8.0 million for 2016/17 and 2017/18 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 5.5% for 2015/16 and also 5.5% for the two outer years of the MTREF.

Road Infrastructure has been allocated R4.3 million of total repairs and maintenance equating to 61.1% for the 2015/16 financial year. 21.7% or R1.5 million of total repairs and maintenance for 2015/16 financial year will be spent on civil buildings.

1.4.4 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2015/16 financial year, a process is reviewed annually. Details relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table 21 SA10 (Basic Service Delivery Measurement) on page 30.

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The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2014/15 Medium-term capital budget per vote

Description R thousand	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure on new assets by Asset Class/Sub-class					
Infrastructure	51 679	45 679	42 381	44 099	48 173
Infrastructure - Road transport	45 679	39 679	30 381	31 499	33 173
Infrastructure - Electricity	6 000	6 000	12 000	12 600	15 000
Other assets	6 259	3 864	5 492	6 600	1 500
General vehicles	1 950	1 100	3 130	5 600	500
Plant & equipment	1 454	1 454	353	–	–
Computers - hardware/equipment	258	283	277	–	–
Furniture and other office equipment	497	497	1 232	–	–
Other Buildings (Fencing)	–	–	200	1 000	1 000
Other	2 100	530	300	–	–
Total Capital Expenditure on new assets	57 938	49 543	47 873	50 699	49 673






For 2015/16 an amount of R42.3 million has been appropriated for the development of infrastructure and community assets which represents 88.4% of the total capital budget. In the outer years this amount totals R44.0 million and R48.1 million respectively for each of the financial years.

Total new assets represent 100% or R47.8 million of the total capital budget while no capital budget allocation has been made for asset renewal. Further detail relating to asset classes and proposed capital expenditure is contained in Table 20 A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the projects to be undertaken over the medium-term includes, amongst others:

- ✚ Construction of recreational facilities (sports fields) – R5.7 million;
- ✚ Construction of rural roads – R17.1 million;

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-  Construction of community halls – R7.9 million
-  Electrification projects to the value of R12 million
-  Fencing : planning department - R0.200 million
-  Purchase of vehicle for technical related services namely, 10m3 Tip truck, Walk behind roller, Whackers x 2 and 1 Ton Flatbed truck.
-  Furniture and computers equipments

National Treasury stopped the continuation of the two projects namely, Museum and By-pass road and they will be continued when the municipality has been advised to do so and funding available.

1.6 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 MBRR Table A1 - Budget Summary

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Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
<u>Financial Performance</u>										
Property rates	6 973	7 646	12 320	28 382	18 204	18 204	18 204	19 296	20 454	21 681
Service charges	1 470	1 568	1 515	1 602	1 602	1 602	1 602	1 679	1 778	1 877
Investment revenue	404	535	476	512	1 187	1 187	1 187	1 244	1 317	1 391
Transfers recognised - operational	55 641	75 393	85 942	100 870	100 720	100 720	100 720	129 124	127 852	124 193
Other own revenue	1 443	2 799	3 416	1 886	1 577	1 577	1 577	1 446	1 531	1 617
Total Revenue (excluding capital transfers and contributions)	65 931	87 940	103 670	133 252	123 290	123 290	123 290	152 789	152 933	150 760
Employee costs	29 888	42 515	50 032	49 591	49 823	49 823	49 823	56 681	60 167	63 686
Remuneration of councillors	8 855	8 329	9 847	11 052	11 425	11 425	11 425	11 996	12 596	13 225
Depreciation & asset impairment	10 524	9 952	17 624	10 588	8 588	8 588	8 588	18 330	9 931	10 472
Finance charges	488	381	368	462	45	45	45	19	1	—
Transfers and grants	—	67	134	122	141	141	141	207	156	165
Other expenditure	35 753	35 271	45 288	52 634	47 888	47 888	47 888	55 533	58 250	61 608
Total Expenditure	85 507	96 514	123 293	124 449	117 910	117 910	117 910	142 767	141 100	149 157
Surplus/(Deficit)	(19 577)	(8 573)	(19 624)	8 803	5 381	5 381	5 381	10 022	11 833	1 603
Transfers recognised - capital	63 384	71 787	58 130	45 679	45 679	45 679	45 679	42 891	44 609	48 683
Surplus/(Deficit) for the year	43 807	63 213	38 506	54 482	51 060	51 060	51 060	52 913	56 442	50 286
<u>Capital expenditure & funds sources</u>										
Capital expenditure	62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
Transfers recognised - capital	59 983	55 418	51 945	45 679	45 679	45 679	45 679	42 381	44 099	48 173
Borrowing	—	—	—	7 950	—	—	—	—	—	—
Internally generated funds	2 797	9 326	714	4 309	3 864	3 864	3 864	5 492	6 600	1 500
Total sources of capital funds	62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
<u>Financial position</u>										
Total current assets	11 160	13 174	13 177	40 212	16 064	16 064	16 064	34 655	47 968	56 899
Total non current assets	143 272	207 547	229 964	317 734	270 919	270 919	270 919	301 072	342 349	382 060
Total current liabilities	31 459	24 530	21 145	25 324	19 998	19 998	19 998	19 258	19 025	19 062
Total non current liabilities	6 227	5 143	6 069	11 411	4 320	4 320	4 320	4 268	4 268	4 268
Community wealth/Equity	116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 207	367 025	415 630
<u>Cash flows</u>										
Net cash from (used) operating	55 872	71 774	50 534	56 089	56 906	56 906	56 906	63 302	60 386	54 700
Net cash from (used) investing	(62 921)	(64 744)	(53 006)	(57 938)	(49 543)	(49 543)	(49 543)	(47 873)	(50 699)	(49 673)
Net cash from (used) financing	1 004	(997)	2 647	(282)	(3 027)	(3 027)	(3 027)	(326)	(53)	—
Cash/cash equivalents at the year end	(5 249)	785	960	8 299	5 296	5 296	5 296	20 399	30 034	35 061
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	(5 248)	785	960	8 479	5 296	5 296	5 296	20 399	30 034	35 061
Application of cash and investments	21 407	17 987	6 278	5 720	7 466	7 466	7 466	8 658	6 102	3 611
Balance - surplus (shortfall)	(26 656)	(17 201)	(5 318)	2 758	(2 170)	(2 170)	(2 170)	11 741	23 931	31 449
<u>Asset management</u>										
Asset register summary (WDV)	143 272	207 547	229 964	317 734	270 919	270 919	301 072	301 072	342 349	382 060
Depreciation & asset impairment	10 524	9 952	17 624	10 588	8 588	8 588	18 330	18 330	9 931	10 472
Renewal of Existing Assets	—	—	—	—	—	—	—	—	—	—
Repairs and Maintenance	2 842	2 548	4 259	8 672	7 848	7 848	7 192	7 192	7 616	8 043
<u>Free services</u>										
Cost of Free Basic Services provided	31	31	—	122	122	122	147	147	156	165
Revenue cost of free services provided	612	612	—	1 101	1 101	1 101	1 101	1 101	1 101	1 101
<u>Households below minimum service level</u>										
Water:	—	—	—	—	—	—	—	—	—	—
Sanitation/sew erage:	20	20	—	21	21	21	21	21	21	21
Energy:	—	—	—	—	—	—	—	—	—	—
Refuse:	39	39	—	41	41	41	41	41	41	41

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Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

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Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN265 Nongoma - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 medium term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	+1 2016/17	+2 2017/18
Revenue - Standard										
<i>Governance and administration</i>		63 494	83 940	98 758	127 964	118 532	118 532	147 448	149 004	146 618
Budget and treasury office		63 494	83 758	98 758	127 921	118 478	118 478	147 392	148 944	146 555
Corporate services		–	182	–	44	54	54	56	59	63
<i>Community and public safety</i>		352	696	2 718	1 364	1 300	1 300	1 186	1 251	1 318
Community and social services		168	442	2 633	902	749	749	815	859	903
Public safety		184	254	85	463	551	551	371	393	415
<i>Economic and environmental services</i>		63 999	73 523	58 808	47 950	47 486	47 486	45 317	45 459	49 580
Planning and development		5	22	58 130	46 940	46 845	46 845	44 646	44 748	48 830
Road transport		63 993	73 501	678	1 010	640	640	671	710	750
<i>Trading services</i>		1 470	1 568	1 515	1 602	1 602	1 602	1 679	1 778	1 877
Waste management		1 470	1 568	1 515	1 602	1 602	1 602	1 679	1 778	1 877
<i>Other</i>	4	–	–	–	50	50	50	50	50	50
Total Revenue - Standard	2	129 315	159 727	161 799	178 931	168 969	168 969	195 680	197 542	199 443
Expenditure - Standard										
<i>Governance and administration</i>		48 203	54 895	90 899	69 986	64 495	64 495	81 790	76 426	80 672
Executive and council		13 824	15 581	15 080	25 426	23 659	23 659	27 207	28 721	30 271
Budget and treasury office		19 978	22 103	70 060	27 568	24 931	24 931	36 518	28 554	30 157
Corporate services		14 401	17 211	5 759	16 991	15 905	15 905	18 065	19 150	20 244
<i>Community and public safety</i>		10 238	12 056	15 943	18 836	18 226	18 226	22 331	23 686	25 053
Community and social services		6 674	7 914	9 882	12 253	12 019	12 019	14 337	15 205	16 080
Public safety		3 564	4 142	6 061	6 582	6 206	6 206	7 994	8 481	8 972
<i>Economic and environmental services</i>		17 466	18 669	10 017	23 028	23 635	23 635	26 483	28 010	29 609
Planning and development		5 533	4 507	2 366	15 181	16 633	16 633	18 501	19 548	20 664
Road transport		11 933	14 162	7 651	7 847	7 002	7 002	7 982	8 462	8 945
<i>Trading services</i>		8 722	9 980	6 118	11 448	10 924	10 924	11 493	12 267	13 070
Waste management		8 722	9 980	6 118	11 448	10 924	10 924	11 493	12 267	13 070
<i>Other</i>	4	879	913	315	1 152	630	630	671	711	752
Total Expenditure - Standard	3	85 507	96 514	123 293	124 449	117 910	117 910	142 767	141 100	149 157
Surplus/(Deficit) for the year		43 807	63 213	38 506	54 482	51 060	51 060	52 913	56 442	50 286

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile a whole of government reports.

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2. Note the Total Revenue on this table includes capital revenues (Transfers recognized . capital) and so does not balance to the operating revenue shown on Table A4 on page 26.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the functions tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

KZN265 Nongoma - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 medium term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue by Vote	1									
Vote 1 - Governance and Administration		—	—	—	—	—	—	—	—	—
Vote 2 - Financial Services		63 494	83 758	98 758	127 930	118 487	118 487	147 392	148 944	146 555
Vote 3 - Corporate Services		—	182	—	44	54	54	56	59	63
Vote 4 - Sport, Recreation and Community Services		168	442	2 633	902	749	749	815	859	903
Vote 5 - Economic and Environmental Services		63 998	72 880	58 130	46 940	46 845	46 845	44 646	44 748	48 830
Vote 6 - Transport and Roads		—	643	678	1 010	640	640	671	710	750
Vote 7 - Safety and Security		184	254	85	463	551	551	371	393	415
Vote 8 - Solid Waste Management		1 470	1 568	1 515	1 593	1 593	1 593	1 679	1 778	1 877
Vote 9 - Tourism and Sports		—	—	—	50	50	50	50	50	50
Total Revenue by Vote	2	129 315	159 727	161 799	178 931	168 969	168 969	195 680	197 542	199 443
Expenditure by Vote to be appropriated	1									
Vote 1 - Governance and Administration		13 824	15 581	15 080	25 426	23 659	23 659	27 207	28 721	30 271
Vote 2 - Financial Services		19 978	22 103	70 060	27 568	24 931	24 931	36 518	28 554	30 157
Vote 3 - Corporate Services		14 401	17 211	5 759	16 991	15 905	15 905	18 065	19 150	20 244
Vote 4 - Sport, Recreation and Community Services		6 674	7 914	9 882	12 253	12 019	12 019	14 337	15 205	16 080
Vote 5 - Economic and Environmental Services		5 533	14 448	6 196	15 181	16 633	16 633	18 501	19 548	20 664
Vote 6 - Transport and Roads		11 933	4 221	3 821	7 847	7 002	7 002	7 982	8 462	8 945
Vote 7 - Safety and Security		3 564	4 142	6 061	6 582	6 206	6 206	7 994	8 481	8 972
Vote 8 - Solid Waste Management		8 722	9 980	6 118	11 448	10 924	10 924	11 493	12 267	13 070
Vote 9 - Tourism and Sports		879	913	315	1 152	630	630	671	711	752
Total Expenditure by Vote	2	85 507	96 514	123 293	124 449	117 910	117 910	142 767	141 100	149 157
Surplus/(Deficit) for the year	2	43 807	63 213	38 506	54 482	51 060	51 060	52 913	56 442	50 286

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Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	5 758	7 646	12 320	23 407	15 792	15 792	15 792	16 740	17 744	18 809
Property rates - penalties & collection charges		1 215	1 219	1 356	4 975	2 411	2 411	2 411	2 556	2 710	2 872
Service charges - refuse revenue	2	1 470	1 568	1 515	1 602	1 602	1 602	1 602	1 679	1 778	1 877
Rental of facilities and equipment		139	149	117	177	164	164	164	172	182	192
Interest earned - external investments		404	535	476	512	1 187	1 187	1 187	1 244	1 317	1 391
Fines		96	225	334	71	379	379	379	397	420	444
Licences and permits		723	647	678	1 010	640	640	640	671	710	750
Transfers recognised - operational		55 641	75 393	85 942	100 870	100 720	100 720	100 720	129 124	127 852	124 193
Other revenue	2	485	559	931	628	394	394	394	206	218	231
Total Revenue (excluding capital transfers and contributions)		65 931	87 940	103 670	133 252	123 290	123 290	123 290	152 789	152 933	150 760
Expenditure By Type											
Employee related costs	2	29 888	42 515	50 032	49 591	49 823	49 823	49 823	56 681	60 167	63 686
Remuneration of councillors		8 855	8 329	9 847	11 052	11 425	11 425	11 425	11 996	12 596	13 225
Debt impairment	3	1 508	1 007	2 630	1 272	1 272	1 272	1 272	1 819	1 926	2 034
Depreciation & asset impairment	2	10 524	9 952	17 624	10 588	8 588	8 588	8 588	18 330	9 931	10 472
Finance charges		488	381	368	462	45	45	45	19	1	-
Contracted services		3 682	7 649	9 113	15 632	15 041	15 041	15 041	14 785	15 734	16 710
Transfers and grants		-	67	134	122	141	141	141	207	156	165
Other expenditure	4, 5	30 563	26 615	33 545	35 730	31 575	31 575	31 575	38 929	40 591	42 864
Total Expenditure		85 507	96 514	123 293	124 449	117 910	117 910	117 910	142 767	141 100	149 157
Surplus/(Deficit)		(19 577)	(8 573)	(19 624)	8 803	5 381	5 381	5 381	10 022	11 833	1 603
Transfers recognised - capital		63 384	71 787	58 130	45 679	45 679	45 679	45 679	42 891	44 609	48 683
Surplus/(Deficit) for the year		43 807	63 213	38 506	54 482	51 060	51 060	51 060	52 913	56 442	50 286

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R152.7 million in 2015/16 and decreases to R150.7 million by 2017/18.
2. Revenue to be generated from property rates is R16.7 million in the 2015/16 financial year which represents 10.9% of the operating revenue base of the Municipality and R18.8 million by 2017/18.

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3. Services charges relating to refuse removal constitutes 1.1% or R1.6 million of the operating revenue budget for the 2015/16 financial year and increasing to R1.8 million by 2017/18.
4. The drivers testing centre is expected to be functional in 2015/16 financial year. Licence and permits are, therefore, expected to generate R0.670 million in 2015/16 and increasing to R0.750 million in 2017/18.
5. Transfers recognised . operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 28% in 2015/16 and decreases to R127.8 and R124.1million in two outer years respectively.
6. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2015/16 to 2017/18 period escalating from R56.6 million to R63.6 million.
7. General expenses have increased from R38.9 million in 2015/16 to R42.8 in 2017/18.

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Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

KZN265 Nongoma - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 4 - Sport, Recreation and Community Services		—	—	—	1 000	—	—	—	—	1 000	1 000
Vote 5 - Economic and Environmental Services		59 983	55 418	51 945	45 679	45 679	45 679	45 679	42 631	44 099	48 173
Vote 6 - Transport and Roads		—	—	—	6 000	—	—	—	—	—	—
Capital multi-year expenditure sub-total	7	59 983	55 418	51 945	52 679	45 679	45 679	45 679	42 631	45 099	49 173
Single-year expenditure to be appropriated	2										
Vote 1 - Governance and Administration		730	647	130	1 075	955	955	955	160	—	—
Vote 2 - Financial Services		11	123	227	176	216	216	216	42	—	—
Vote 3 - Corporate Services		575	3 325	152	797	782	782	782	50	—	—
Vote 4 - Sport, Recreation and Community Services		18	2 722	109	136	136	136	136	368	—	—
Vote 5 - Economic and Environmental Services		65	1 517	74	660	210	210	210	3 772	2 500	—
Vote 6 - Transport and Roads		—	491	22	275	275	275	275	—	—	—
Vote 7 - Safety and Security		26	—	—	190	190	190	190	300	1 200	500
Vote 8 - Solid Waste Management		1 373	502	—	1 950	1 100	1 100	1 100	550	1 900	—
Capital single-year expenditure sub-total		2 797	9 326	714	5 259	3 864	3 864	3 864	5 242	5 600	500
Total Capital Expenditure - Vote		62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
Capital Expenditure - Standard											
Governance and administration		36 486	4 094	593	2 048	1 953	1 953	1 953	252	—	—
Executive and council		29	647	139	1 075	955	955	955	160	—	—
Budget and treasury office		33 967	123	302	176	216	216	216	42	—	—
Corporate services		2 490	3 325	152	797	782	782	782	50	—	—
Community and public safety		42	3 194	110	1 326	326	326	326	668	2 200	1 500
Community and social services		32	3 194	110	1 286	286	286	286	368	1 000	1 000
Public safety		10	—	—	40	40	40	40	300	1 200	500
Economic and environmental services		26 083	56 954	51 945	52 614	46 164	46 164	46 164	46 403	46 599	48 173
Planning and development		26 083	55 418	51 945	46 339	45 889	45 889	45 889	46 403	46 599	48 173
Road transport		—	1 536	—	6 275	275	275	275	—	—	—
Trading services		169	502	12	1 950	1 100	1 100	1 100	550	1 900	—
Waste management		169	502	12	1 950	1 100	1 100	1 100	550	1 900	—
Total Capital Expenditure - Standard	3	62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
Funded by:											
National Government		59 983	55 418	51 945	45 679	45 679	45 679	45 679	42 381	44 099	48 173
Transfers recognised - capital	4	59 983	55 418	51 945	45 679	45 679	45 679	45 679	42 381	44 099	48 173
Borrowing	6	—	—	—	7 950	—	—	—	—	—	—
Internally generated funds		2 797	9 326	714	4 309	3 864	3 864	3 864	5 492	6 600	1 500
Total Capital Funding	7	62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

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1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 R42.6 million has been allocated of the total R47.8 million capital budget, which totals 89.1%. This allocation decreases to R45.0 million in 2016/17 and then increases again to R49.1 million in 2017/18 owing primarily to the fact that new projects will be commenced during the next two financial years.
3. Single-year capital expenditure has been appropriated at R5.2 million for the 2015/16 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.
5. The capital programme is funded from national capital grants, borrowings and internally generated funds from current year surpluses. For 2015/16, capital transfers totals R42.3 million and decrease to R44.0 million by 2016/17 and further increase to R48.1 in 2017/18. Internally generated funding amount to R5.4 million, R6.6 million and R1.5 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

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Table 14 MBRR Table A6 -Budgeted Financial Position

KZN265 Nongoma - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015 to medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash		–	134	145	6 834	3 335	3 335	3 335	17 195	25 512	29 147
Call investment deposits	1	888	651	815	1 645	1 961	1 961	1 961	3 205	4 522	5 913
Consumer debtors	1	8 734	10 359	11 763	28 139	10 269	10 269	10 269	13 738	17 415	21 319
Other debtors		1 538	2 030	454	3 595	499	499	499	518	519	519
Total current assets		11 160	13 174	13 177	40 212	16 064	16 064	16 064	34 655	47 968	56 899
Non current assets											
Property, plant and equipment	3	142 666	207 149	229 699	317 698	270 840	270 840	270 840	300 958	342 284	382 031
Intangible		605	398	265	36	79	79	79	114	65	29
Total non current assets		143 272	207 547	229 964	317 734	270 919	270 919	270 919	301 072	342 349	382 060
TOTAL ASSETS		154 432	220 721	243 141	357 946	286 983	286 983	286 983	335 727	390 317	438 959
LIABILITIES											
Current liabilities											
Bank overdraft	1	6 136	–	–	–	–	–	–	–	–	–
Borrowing	4	252	272	2 982	1 102	306	306	306	52	–	–
Trade and other payables	4	25 070	24 258	18 009	23 167	18 346	18 346	18 346	17 860	17 679	17 716
Provisions				155	1 055	1 346	1 346	1 346	1 346	1 346	1 346
Total current liabilities		31 459	24 530	21 145	25 324	19 998	19 998	19 998	19 258	19 025	19 062
Non current liabilities											
Borrowing		1 330	674	456	7 997	52	52	52	–	–	–
Provisions		4 896	4 469	5 613	3 414	4 268	4 268	4 268	4 268	4 268	4 268
Total non current liabilities		6 227	5 143	6 069	11 411	4 320	4 320	4 320	4 268	4 268	4 268
TOTAL LIABILITIES		37 685	29 673	27 215	36 735	24 318	24 318	24 318	23 525	23 292	23 329
NET ASSETS	5	116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 201	367 025	415 630
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 201	367 025	415 630
TOTAL COMMUNITY WEALTH/EQUITY	5	116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 201	367 025	415 630

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as %accounting+ Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

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3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
 - É Call investments deposits;
 - É Consumer debtors;
 - É Property, plant and equipment;
 - É Trade and other payables;
 - É Provisions non-current;
 - É Changes in net assets; and
 - É Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

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Table15 MBRR Table A7 - Budgeted Cash Flow Statement

KZN265 Nongoma - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		3 525	6 080	16 564	17 522	21 605	21 605	21 605	14 472	15 340	16 261
Service charges									1 259	1 333	1 408
Other revenue									1 403	1 486	1 569
Government - operating	1	55 641	75 393	85 942	100 870	100 720	100 720	100 720	129 124	127 852	124 193
Government - capital	1	63 384	71 787	58 130	45 679	45 679	45 679	45 679	42 891	44 609	48 683
Interest		1 619	535	476	512	1 187	1 187	1 187	1 244	1 317	1 391
Payments											
Suppliers and employees		(67 809)	(81 640)	(110 210)	(108 032)	(112 240)	(112 240)	(112 240)	(126 864)	(131 396)	(138 640)
Finance charges		(488)	(381)	(368)	(462)	(45)	(45)	(45)	(19)	(1)	-
Transfers and Grants	1	-	-	-	-	-	-	-	(207)	(156)	(165)
NET CASH FROM/(USED) OPERATING ACTIVITIES		55 872	71 774	50 534	56 089	56 906	56 906	56 906	63 302	60 386	54 700
CASH FLOWS FROM INVESTING ACTIVITIES											
Payments											
Capital assets		(62 921)	(64 744)	(53 006)	(57 938)	(49 543)	(49 543)	(49 543)	(47 873)	(50 699)	(49 673)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(62 921)	(64 744)	(53 006)	(57 938)	(49 543)	(49 543)	(49 543)	(47 873)	(50 699)	(49 673)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	2 700	-	-	-	-	-	-	-
Borrowing long term/refinancing		1 166	(777)	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(162)	(220)	(53)	(282)	(3 027)	(3 027)	(3 027)	(326)	(53)	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 004	(997)	2 647	(282)	(3 027)	(3 027)	(3 027)	(326)	(53)	-
NET INCREASE/ (DECREASE) IN CASH HELD		(6 046)	6 034	175	(2 131)	4 336	4 336	4 336	15 103	9 634	5 027
Cash/cash equivalents at the year begin:	2	797	(5 248)	785	10 430	960	960	960	5 296	20 399	30 034
Cash/cash equivalents at the year end:	2	(5 249)	785	960	8 299	5 296	5 296	5 296	20 399	30 034	35 061

The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2015/16 to 2017/18. For the 2015/16 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to amount R20.3 million by 2015/16 and rapidly increasing to R35.0 by 2017/18.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

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The Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 58 and 59 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- ✚ What are the predicted cash and investments that are available at the end of the budget year?
- ✚ How are those funds used?
- ✚ What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN265 Nongoma - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description		Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash and investments available												
Cash/cash equivalents at the year end	1		(5 249)	785	960	8 299	5 296	5 296	5 296	20 399	30 034	35 061
Other current investments > 90 days			0	(0)	–	180	–	–	–	0	(0)	(0)
Non current assets - Investments	1		–	–	–	–	–	–	–	–	–	–
Cash and investments available:			(5 248)	785	960	8 479	5 296	5 296	5 296	20 399	30 034	35 061
Application of cash and investments												
Unspent conditional transfers			20	1 080	(3 724)	–	–	–	–	–	–	–
Unspent borrowing			–	–	–	–	–	–	–	–	–	–
Statutory requirements	2		–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3		21 387	16 907	10 001	5 720	7 466	7 466	7 466	8 658	6 102	3 611
Other provisions			–	–	–	–	–	–	–	–	–	–
Long term investments committed	4		–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5		–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:			21 407	17 987	6 278	5 720	7 466	7 466	7 466	8 658	6 102	3 611
Surplus(shortfall)			(26 656)	(17 201)	(5 318)	2 758	(2 170)	(2 170)	(2 170)	11 741	23 931	31 449

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Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 . Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be funded.
4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.
5. The budget for the MTREF 2015/16 to 2017/18 with a positive surplus of R11.7, R23.9 and R31.4 million is appropriately funded.

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Table 17 MBRR Table A9 - Asset Management

KZN265 Nongoma - Table A9 Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	62 780	64 744	52 659	57 938	49 543	49 543	47 873	50 699	49 673
Infrastructure - Road transport		30 109	42 918	44 423	45 679	39 679	39 679	30 381	31 499	33 173
Infrastructure - Electricity		-	12 500	7 523	6 000	6 000	6 000	12 000	12 600	15 000
Infrastructure - Other		16 461	-	-	-	-	-	-	-	-
Infrastructure		46 569	55 418	51 945	51 679	45 679	45 679	42 381	44 099	48 173
Community		13 582	-	-	-	-	-	-	-	-
Other assets	6	2 628	9 326	714	6 259	3 864	3 864	5 492	6 600	1 500
Total Capital Expenditure	4									
Infrastructure - Road transport		30 109	42 918	44 423	45 679	39 679	39 679	30 381	31 499	33 173
Infrastructure - Electricity		-	12 500	7 523	6 000	6 000	6 000	12 000	12 600	15 000
Infrastructure - Other		16 461	-	-	-	-	-	-	-	-
Infrastructure		46 569	55 418	51 945	51 679	45 679	45 679	42 381	44 099	48 173
Community		13 582	-	-	-	-	-	-	-	-
Other assets		2 628	9 326	714	6 259	3 864	3 864	5 492	6 600	1 500
TOTAL CAPITAL EXPENDITURE - Assets	2	62 780	64 744	52 659	57 938	49 543	49 543	47 873	50 699	49 673
ASSET REGISTER SUMMARY - PPE (W)	5									
Infrastructure - Road transport		24 787	43 167	54 245	168 796	82 475	82 475	109 932	140 083	171 804
Infrastructure - Electricity		-	-	-	-	6 000	6 000	18 000	30 600	45 600
Infrastructure		24 787	43 167	54 245	168 796	88 475	88 475	127 932	170 683	217 404
Community		13 582	12 500	22 604	22 375	32 471	32 471	32 471	32 471	32 471
Other assets		104 298	151 482	152 850	126 527	149 895	149 895	140 555	139 130	132 157
Intangibles		605	398	265	36	79	79	114	65	29
TOTAL ASSET REGISTER SUMMARY - PPE	5	143 272	207 547	229 964	317 734	270 919	270 919	301 072	342 349	382 060
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		10 524	9 952	17 624	10 588	8 588	8 588	18 330	9 931	10 472
Repairs and Maintenance by Asset Class	3	2 842	2 548	4 259	8 672	7 848	7 848	7 192	7 616	8 043
Infrastructure - Road transport		1 901	1 019	3 151	4 085	4 197	4 197	4 398	4 658	4 919
Infrastructure		1 901	1 019	3 151	4 085	4 197	4 197	4 398	4 658	4 919
Other assets	6, 7	941	1 529	1 108	4 587	3 651	3 651	2 794	2 958	3 124
TOTAL EXPENDITURE OTHER ITEMS		13 366	12 500	21 883	19 259	16 436	16 436	25 522	17 547	18 515
Renewal of Existing Assets as % of total capital expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of depreciation		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		2.0%	1.2%	1.9%	2.7%	2.9%	2.9%	2.4%	2.2%	2.1%
Renewal and R&M as a % of PPE		2.0%	1.0%	2.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%

Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.

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2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and NDPG capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

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Table 18 MBRR Table A10 - Basic Service Delivery Measurement

KZN265 Nongoma - Table A10 Basic service delivery measurement

Description	Ref	2011/12	2012/13	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1								
<u>Water:</u>									
Piped water inside dwelling		1 012	1 012	1 100	1 100	1 100	1 100	1 100	1 100
Piped water inside yard (but not in dwelling)		2 257	2 257	2 456	2 456	2 456	2 456	2 456	2 456
Using public tap (at least min.service level)	2	4 864	4 864	5 280	5 280	5 280	5 280	5 280	5 280
Other water supply (at least min.service level)	4	30 777	30 777	33 315	33 315	33 315	33 315	33 315	33 315
<i>Minimum Service Level and Above sub-total</i>		38 910	38 910	42 151	42 151	42 151	42 151	42 151	42 151
Total number of households	5	38 910	38 910	42 151	42 151	42 151	42 151	42 151	42 151
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)		467	467	542	542	542	542	542	542
Flush toilet (with septic tank)		195	195	227	227	227	227	227	227
Chemical toilet		9 922	9 922	11 056	11 056	11 056	11 056	11 056	11 056
Pit toilet (ventilated)		8 599	8 599	9 582	9 582	9 582	9 582	9 582	9 582
<i>Minimum Service Level and Above sub-total</i>		19 183	19 183	21 407	21 407	21 407	21 407	21 407	21 407
Bucket toilet		133	133	135	135	135	135	135	135
No toilet provisions		19 728	19 728	21 353	21 353	21 353	21 353	21 353	21 353
<i>Below Minimum Service Level sub-total</i>		19 861	19 861	21 488	21 488	21 488	21 488	21 488	21 488
Total number of households	5	39 044	39 044	42 895	42 895	42 895	42 895	42 895	42 895
<u>Energy:</u>									
Electricity (at least min.service level)		8 452	8 452	9 148	9 148	9 148	9 148	9 148	9 148
Electricity - prepaid (min.service level)		8 591	8 591	9 298	9 298	9 298	9 298	9 298	9 298
<i>Minimum Service Level and Above sub-total</i>		17 043	17 043	18 446	18 446	18 446	18 446	18 446	18 446
Total number of households	5	17 043	17 043	18 446	18 446	18 446	18 446	18 446	18 446
<u>Refuse:</u>									
Removed less frequently than once a week		310	310	340	340	340	340	340	340
Using own refuse dump		34 825	34 825	36 956	36 956	36 956	36 956	36 956	36 956
Other rubbish disposal		3 113	3 113	3 303	3 303	3 303	3 303	3 303	3 303
No rubbish disposal		351	351	372	372	372	372	372	372
<i>Below Minimum Service Level sub-total</i>		38 599	38 599	40 971	40 971	40 971	40 971	40 971	40 971
Total number of households	5	38 599	38 599	40 971	40 971	40 971	40 971	40 971	40 971
Households receiving Free Basic Service	7								
Electricity /other energy (50kwh per household per month)		197	197	500	500	500	500	500	500
Cost of Free Basic Services provided (R'000)	8								
Electricity /other energy (50kwh per household per month)		31	31	122	122	122	147	156	165
Total cost of FBS provided (minimum social package)		31	31	122	122	122	157	156	165
<u>Highest level of free service provided</u>									
Property rates (R value threshold)		15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50
Revenue cost of free services provided (R'000)	9								
Property rates (R15 000 threshold rebate)		612	612	162	162	162	162	162	162
Property rates (other exemptions, reductions and rebates)		-	-	939	939	939	939	939	939
Total revenue cost of free services provided (total social package)		612	612	1 101	1 101	1 101	1 101	1 101	1 101

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Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma.

- **Electricity**

ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. It is anticipated that these Free Basic Services will cost the municipality R147 410 in 2015/16, increasing to R164 849 in 2017/18. The reason for the low figures is that the indigent register is incomplete and the picture might change when the community concerned come forward to register for free basic services. The provision of free basic electricity is covered by the municipality's equitable share allocation from national government.

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Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.









2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2014 as required by the MFMA. The Key dates applicable to the process were:







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-  **23 January 2015** - Council considers the 2013/14 Mid-year Review and Adjustments Budget necessity
-  **28 February 2015**. Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
-  **28 February 2015** - Recommendations of the Mayoral Committee are communicated to the Budget and Treasury Office. The draft 2014/15 MTREF is revised accordingly;
-  **27 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
-  **April 2015** . Public consultation;
-  **30 April 2015** - Closing date for written comments;
-  **1 to 9 May 2015** . finalization of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
-  **31 May 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:












-  Registration of community needs;
-  Compilation of departmental business plans including key performance indicators and targets;
-  Financial planning and budgeting process;
-  Public participation process;
-  Compilation of the SDBIP, and
-  The review of the performance management and monitoring processes.

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2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

-  Municipality growth
-  Policy priorities and strategic objectives
-  Asset maintenance
-  Economic climate and trends
-  Performance trends
-  The approved 2014/15 adjustments budget and performance against the SDBIP
-  Cash Flow Management Strategy
-  Debtor payment levels
-  Loan and investment possibilities
-  The need for tariff increases versus the ability of the community to pay for services;
-  Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 . budget circulars - has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The 2015/16 draft budget and MTREF after being tabled before Council for approval on 27 March 2015 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process which included invitation of the community to the IDP/Budget Road shows was initiated. The road shows were held at different places within Nongoma municipal area of jurisdiction as follow:

- Matheni Traditional Authority, Kwa Ngwabi on the 14th April 2015
- Osuthu Tradition Authority, Efele on the 15 April 2015
- Mandlakazi Traditional Authority, on the 16 April 2015
- Nongma Inn, Ward 19 with business community on the 17 April 2015

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All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant consider as part of the finalisation of the 2015/16 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a

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coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- ✚ Green Paper on National Strategic Planning of 2009;
- ✚ Government Programme of Action;
- ✚ Development Facilitation Act of 1995;
- ✚ Provincial Growth and Development Strategy (GGDS);
- ✚ National and Provincial spatial development perspectives;
- ✚ Relevant sector plans such as transportation, legislation and policy;
- ✚ National Key Performance Indicators (NKPis);
- ✚ Accelerated and Shared Growth Initiative (ASGISA);
- ✚ National 2015 Vision;
- ✚ National Spatial Development Perspective (NSDP) and
- ✚ The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015. Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

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1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

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Table 22 IDP Strategic Objectives

2015/16 MTREF	
1.	Provision of quality basic services and infrastructure
2.	Economic growth and development that leads to sustainable job creation
3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities
4.	Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1	Promote sound governance
5.2	Ensure financial sustainability
5.3	Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity (through Eskom)
 - Provide water (through District Municipality)
 - Provide sanitation (through District Municipality)
 - Provide solid waste removal
 - Provide housing (through Department of Human Settlements)
 - Provide roads and storm water
 - Provide municipality planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective municipality cleansing;

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- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance and communication through:

- Publishing the outcomes of all tender processes and other information on the municipal website.

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

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Table 23 MBRR Table SA1 - Supporting detail to budgeted financial performance

KZN265 Nongoma - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
REVENUE ITEMS:											
Total Property Rates		5 758	12 872	15 820	27 111	19 006	19 006	19 006	20 146	21 355	22 636
less Revenue Foregone			5 227	3 501	3 703	3 213	3 213	3 213	3 406	3 610	3 827
Net Property Rates		5 758	7 646	12 320	23 407	15 792	15 792	15 792	16 740	17 744	18 809
Other Revenue by source											
Gain on valuation of post retirement medical benefit											
Fair value gain on fixed assets		172									
Rates Clearance Certificates		313	182		1	1	1	1	1	1	1
Tender documents			79		82	60	60	60	63	66	70
Photocopies			1		5	5	5	5	5	6	6
Building plans			11		21	11	11	11	12	12	13
Erf sub-division			6		7	5	5	5	5	5	6
Map fees			1		2	1	1	1	1	1	2
sundry income			43		510	311	311	311	119	126	133
school patrol			214								
Other Revenue	3		22	931							
Total 'Other' Revenue	1	485	559	931	628	394	394	394	206	218	231
EXPENDITURE ITEMS:											
Basic Salaries and Wages	2	18 411	26 030	30 525	32 493	33 137	33 137	33 137	38 753	41 137	43 543
Pension and UIF Contributions		214	247	279	7 585	7 631	7 631	7 631	8 077	8 574	9 076
Medical Aid Contributions		652	928	1 430	1 508	1 699	1 699	1 699	1 846	1 960	2 074
Overtime		1 619	3 086	2 014	2 055	972	972	972	1 014	1 077	1 140
Performance Bonus		1 034	1 387	2 168	2 018	2 506	2 506	2 506	2 617	2 778	2 940
Motor Vehicle Allowance		2 434	3 502	3 900	1 970	1 933	1 933	1 933	2 342	2 486	2 631
Housing Allow ances					50	50	50	50	52	55	58
Other benefits and allowances		318	382	77	1 912	1 896	1 896	1 896	1 979	2 101	2 224
Payments in lieu of leave		1 341	1 590	9 638		-	-	-			
Long service awards		3 865				-	-	-			
Post-retirement benefit obligations	4		5 363			-	-	-			
sub-total	5	29 888	42 515	50 032	49 591	49 823	49 823	49 823	56 681	60 167	63 686
Depreciation of Property , Plant & Equipment		10 524	9 776	17 492	10 401	8 401	8 401	8 401	18 265	9 882	10 436
Lease amorisation			175	132	186	186	186	186	65	49	36
	1	10 524	9 952	17 624	10 588	8 588	8 588	8 588	18 330	9 931	10 472
Transfers and grants											
Non-cash transfers and grants		67	134	122	141	141	141	207	156	165	-
Total transfers and grants	1	67	134	122	141	141	141	207	156	165	-
Security Services		2 250	5 101	4 607	2 367	2 367	2 367	2 367	2 481	2 627	2 774
Dump Site Maintenance		1 432			2 745	2 745	2 745	2 745	2 932	3 181	3 455
Pest control					152	52	52	52	55	58	61
IT services					130	130	130	130	136	144	152
Rentals					1 567	1 899	1 899	1 899	1 990	2 108	2 226
Cotractors for maintenance			2 548	4 506	8 672	7 848	7 848	7 848	7 192	7 616	8 043
sub-total	1	3 682	7 649	9 113	15 632	15 041	15 041	15 041	14 785	15 734	16 710
Total contracted services		3 682	7 649	9 113	15 632	15 041	15 041	15 041	14 785	15 734	16 710

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Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand												
EXPENDITURE ITEMS:												
Other Expenditure By Type												
Collection costs	3	2 046	1 213		996	–	–	–	600	–	–	
Consultant fees		7 759	9 606	10 962	4 578				7 310	7 741	8 175	
Audit fees		1 006	1 523	1 326	1 633	1 633	1 633	1 633	1 711	1 812	1 914	
General expenses		19 751	6 108	9 534	4 000	10 908	10 908	10 908	5 910	6 258	6 609	
Internal Audit fees					500	–	–	–	300	318	335	
Other materials				1 064	141	166	166	166	188	200	211	
HIV and Aids					1 500	1 000	1 000	1 000	1 048	1 110	1 172	
Protective Clothing				390	510	591	591	591	826	875	924	
Neighbourhood Development				–	2 956	2 456	2 456	2 456	2 748	2 910	3 073	
LED Projects				–	2 400	2 400	2 400	2 400	3 150	3 336	3 523	
Accommodation costs				215	42	1 570	809	809	1 165	1 233	1 302	
Catering and refreshments					546	365	365	365	386	409	432	
Subsistence & Transport				2 828	2 584	2 138	2 161	2 161	2 161	2 370	2 510	2 650
Insurance					–	1 631	831	831	831	1 661	1 759	1 858
IDP Planning						1 100	1 000	1 000	1 000	1 190	1 260	1 331
Fuel				746	1 074	1 108	822	822	822	862	912	963
Disaster				12	348	700	700	700	700	734	777	820
Training				444	686	769	431	431	431	967	1 024	1 081
Printing & Stationery				558	502	808	378	378	378	644	682	720
Legal fees						559	976	976	976	1 023	1 083	1 144
Youth development			2 901	4 614	750	500	500	500	524	555	586	
Ward committees					2 520	1 337	1 337	1 337	1 402	1 484	1 567	
Disabled persons					528	528	528	528	553	586	619	
Electricity & water			449	419	275	359	359	359	376	398	421	
Software and Licences			12	1	854	821	821	821	860	911	962	
Telephone					662	402	402	402	421	446	471	
Total 'Other' Expenditure	1	30 563	26 615	33 545	35 730	31 575	31 575	31 575	38 929	40 591	42 864	
Repairs and Maintenance by Expenditure Item	8											
Contracted Services		2 842	2 548	4 506	8 672	7 848	7 848	7 848	7 192	7 616	8 043	
Other Expenditure												
Total Repairs and Maintenance Expenditure	9	2 842	2 548	4 506	8 672	7 848	7 848	7 848	7 192	7 616	8 043	

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Table 21 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

KZN265 Nongoma - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref 1	Vote 1 - Governance and	Vote 2 - Financial Services	Vote 3 - Corporate Services	Vote 4 - Sport, Recreation	Vote 5 - Economic and	Vote 6 - Transport and Roads	Vote 7 - Safety and Security	Vote 8 - Solid Waste Management	Vote 9 - Tourism and Sports	Total
R thousand											
Revenue By Source											
Property rates			16 740								16 740
Property rates - penalties & collection charges			2 556								2 556
Service charges - refuse revenue									1 679		1 679
Rental of facilities and equipment					59	113					172
Interest earned - external investments			1 244								1 244
Fines					26			371			397
Licences and permits							671				671
Other revenue			125	56	7	18					206
Transfers recognised - operational			126 727		723		1 624			50	129 124
Total Revenue (excluding capital transfers and contributions)		–	147 392	56	815	131	2 295	371	1 679	50	152 789
Expenditure By Type											
Employee related costs		8 758	7 302	7 773	8 064	2 892	7 742	5 909	7 918	323	56 680
Remuneration of councillors		11 996									11 996
Debt impairment			1 819								1 819
Depreciation & asset impairment			18 330								18 330
Finance charges			19								19
Contracted services			443	5 171	171	15	5 774	115	3 095		14 785
Transfers and grants		147				60					207
Other expenditure		8 302	9 118	5 122	5 202	4 456	4 599	1 736	48	348	38 929
Total Expenditure		29 202	37 031	18 065	13 437	7 423	18 116	7 760	11 061	671	142 767
Surplus/(Deficit)		(29 202)	110 361	(18 009)	(12 622)	(7 292)	(15 821)	(7 389)	(9 382)	(621)	10 022
Transfers recognised - capital							42 891				42 891
Surplus/(Deficit) after capital transfers & contributions		(29 202)	110 361	(18 009)	(12 622)	(7 292)	27 070	(7 389)	(9 382)	(621)	52 913

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Table 22 MBRR Table SA3 – Supporting detail to Statement of Financial Position

KZN265 Nongoma - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Call investment deposits											
Call deposits < 90 days		888	651	815	1 645	1 961	1 961	1 961	3 205	4 522	5 913
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits	2	888	651	815	1 645	1 961	1 961	1 961	3 205	4 522	5 913
Consumer debtors											
Consumer debtors		14 136	16 647	20 414	36 896	20 192	20 192	20 192	25 479	31 083	37 020
Less: Provision for debt impairment		(5 401)	(6 289)	(8 651)	(8 758)	(9 923)	(9 923)	(9 923)	(11 741)	(13 667)	(15 701)
Total Consumer debtors	2	8 734	10 359	11 763	28 139	10 269	10 269	10 269	13 738	17 415	21 319
Debt impairment provision											
Balance at the beginning of the year		4 093	5 601	8 651	7 486	8 651	8 651	8 651	9 923	11 741	13 667
Contributions to the provision		1 508	887	–	1 272	1 272	1 272	1 272	1 819	1 926	2 034
Balance at end of year		5 601	6 489	8 651	8 758	9 923	9 923	9 923	11 741	13 667	15 701
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		160 084	234 876	229 699	365 620	324 429	324 429	324 429	372 812	424 021	474 204
Leases recognised as PPE	3	40	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation		17 457	27 727	–	47 923	53 589	53 589	53 589	71 855	81 737	92 173
Total Property, plant and equipment (PPE)	2	142 666	207 149	229 699	317 698	270 840	270 840	270 840	300 958	342 284	382 031
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)		–	–	–	–	–	–	–	–	–	–
Current portion of long-term liabilities		252	272	2 982	1 102	306	306	306	52	–	–
Total Current liabilities - Borrowing		252	272	2 982	1 102	306	306	306	52	–	–
Trade and other payables											
Trade and other creditors		25 050	23 178	21 732	23 167	18 346	18 346	18 346	17 860	17 679	17 716
Unspent conditional transfers		20	1 080	(3 724)	–	–	–	–	–	–	–
Total Trade and other payables	2	25 070	24 258	18 009	23 167	18 346	18 346	18 346	17 860	17 679	17 716
Non current liabilities - Borrowing											
Borrowing	4	1 197	674	358	7 997	52	52	52	–	–	–
Finance leases (including PPP asset element)		134	–	98	–	–	–	–	–	–	–
Total Non current liabilities - Borrowing		1 330	674	456	7 997	52	52	52	–	–	–
Provisions - non-current											
Refuse landfill site rehabilitation		4 877	2 512	–	1 457	1 858	1 858	1 858	1 858	1 858	1 858
Other		20	1 958	5 613	1 958	2 409	2 409	2 409	2 409	2 409	2 409
Total Provisions - non-current		4 896	4 469	5 613	3 414	4 268	4 268	4 268	4 268	4 268	4 268
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		45 108	127 857	177 420	266 729	211 606	211 606	211 606	259 288	310 583	365 343
GRAP adjustments		27 831	(22)	–	–	–	–	–	–	–	–
Restated balance		72 939	127 835	177 420	266 729	211 606	211 606	211 606	259 288	310 583	365 343
Surplus/(Deficit)		43 807	63 213	38 506	54 482	51 060	51 060	51 060	52 913	56 442	50 286
Accumulated Surplus/(Deficit)	1	116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 201	367 025	415 630
Reserves											
Total Reserves	2	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	116 747	191 048	215 926	321 211	262 666	262 666	262 666	312 201	367 025	415 630

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Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)									
Strategic Objective	Goal	Ref	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	Current Year 2014 Original Budget	2015/16 Medium Term Revenue & Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.		63 082	46 276	48 395	53 642	147 392	148 944	146 555
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.		66 065	62 234	58 200	71 523	44 646	44 748	48 830
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.								
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.		168	6 383	8 100	8 940	2 865	3 790	3 996
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			44 835	47 104	44 826	777	59	63
Allocations to other priorities		2							
0:		1	129 315	159 727	161 799	178 931	195 680	197 542	199 443

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Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			33 802	28 760	50 032	34 863	49 823	49 823	52 917	45 878	48 417
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			31 012	38 993	17 624	45 151	12 696	12 696	8 502	19 242	20 340
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.				9 587	12 845	11 288	15 041	15 041	25 942	27 450	29 173
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.			6 292	4 793	9 113	5 644	8 633	8 633	37 228	29 261	30 858
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			14 401	14 380	33 680	27 504	31 717	31 717	18 178	19 269	20 368
Allocations to other priorities												
Total Expenditure			1	85 507	96 514	123 294	124 449	117 910	117 910	142 767	141 100	149 156

Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.	A		33 996	19 423	22 014	17 166	11 000	11 000	37 803	33 150	2 702
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.	B C		26 262	25 898	18 266	22 888	28 479	28 479	2 368	7 549	8 501
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.	D E		-	6 474	5 235	5 722	1 100	1 100	2 450	2 500	3 000
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.	F G		32	3 237	2 249	2 861	2 764	2 764	252	500	34 420
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	H I		2 490	9 712	4 895	9 300	6 200	6 200	5 000	7 000	1 050
Allocations to other priorities			3									
Total Capital Expenditure			1	62 780	64 744	52 659	57 938	49 543	49 543	47 873	50 699	49 673

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2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employees' performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

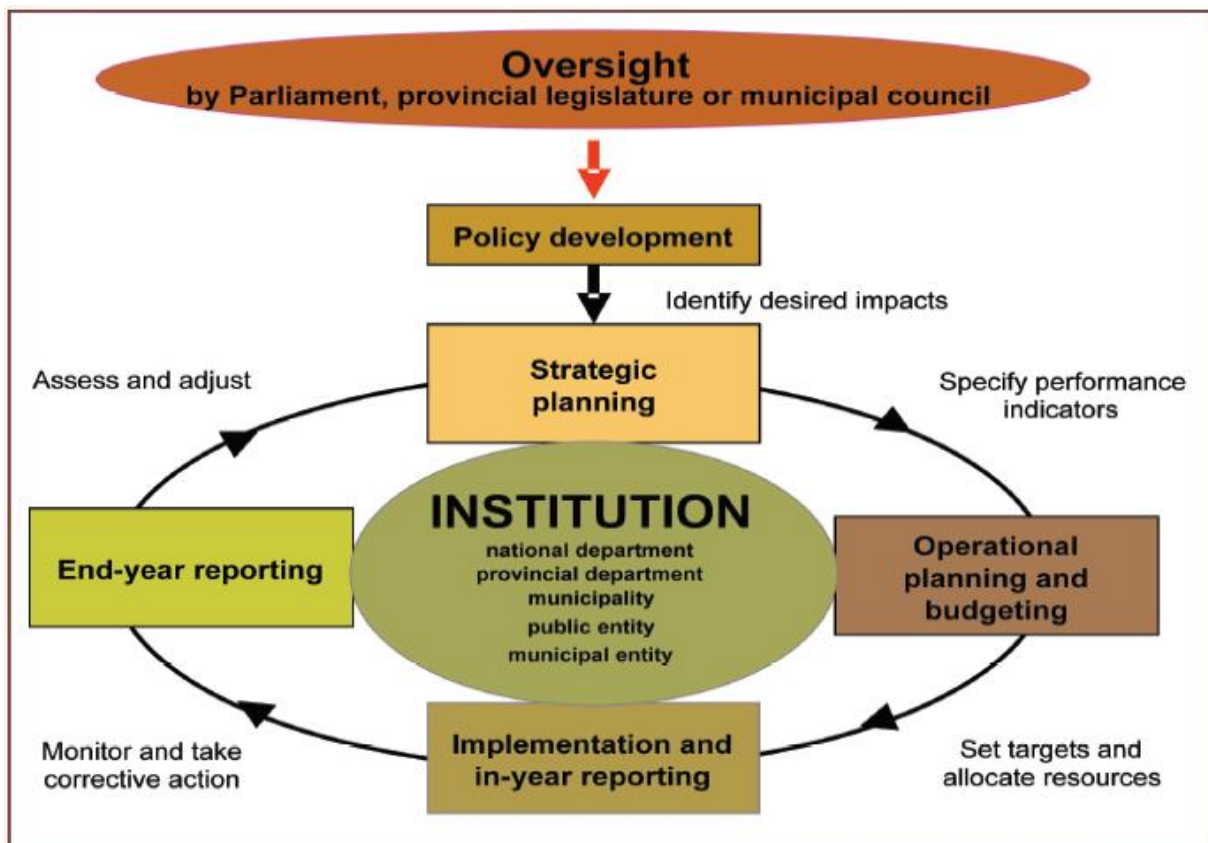








Figure 1Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

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-  Planning (setting goals, objectives, targets and benchmarks);
-  Monitoring (regular monitoring and checking on the progress against plan);
-  Measurement (indicators of success);
-  Review (identifying areas requiring change and improvement);
-  Reporting (what information, to whom, from whom, how often and for what purpose); and
-  Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

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Table 26MBRR Table SA7 - Measurable performance objectives

KZN265 Nongoma - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Vote - Environmental Management										
Function: Waste Management										
Sub-function - Solid Waste										
Access to refuse removal	Number of households	85.0%	96.0%	90.0%	100.0%	95.0%	95.0%	100.0%	100.0%	100.0%
Vote - Environmental Management										
Function: Waste Management										
Sub-function - Solid Waste										
Extension/New landfill site	Number of landfill sites	50.0%	100.0%	50.0%	100.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote - Transport and Roads										
Function - Roads and Storm Water										
Sub-function - Roads										
Road resurfacing/upgrading	Rehabilitation of R66	40.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Vote - Transport and Roads										
Function - Roads and Storm Water										
Sub-function - Roads										
Provision of new access roads	Number of access roads	60.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote - Transport and Roads										
Function - Roads and Storm Water										
Sub-function - Roads										
Provision of new tax rank	Number of taxi ranks	50.0%	100.0%	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Vote - Transport and Roads										
Function - Roads and Storm Water										
Sub-function - Roads										
Provision of new bypass road	Kms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vote - Transport and Roads										
Function - Roads and Storm Water										
Sub-function - Vehicle Test Centre										
Provision of new vehicle test centre	Number	20.0%	100.0%	90.0%	90.0%	90.0%	90.0%	100.0%	100.0%	100.0%
Vote - Planning and Development										
Function - Technical Services										
Sub-function - Community Projects										
Provision of new creches	Number	55.0%	90.0%	80.0%	100.0%	90.0%	90.0%	100.0%	100.0%	100.0%
Vote - Planning and Development										
Function - Technical Services										
Sub-function - Community Projects										
Provision of community halls	Number	55.0%	90.0%	50.0%	50.0%	80.0%	80.0%	100.0%	100.0%	100.0%
Vote - Planning and Development										
Function - Technical Services										
Sub-function - Community Projects										
Provision of sportsfields	Number	55.0%	90.0%	70.0%	90.0%	90.0%	90.0%	90.0%	90.0%	100.0%
Vote - Planning and Development										
Function - Technical Services										
Sub-function - Community Projects										
Provision of roads	Number	55.0%	90.0%	80.0%	90.0%	90.0%	90.0%	90.0%	100.0%	100.0%
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
And so on for the rest of the Votes										

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The following table sets out the municipalities main performance objectives and benchmarks for the 2015/16 MTREF.

Table 27MBRR Table SA8 - Performance indicators and benchmarks

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

Zirco's Hongkong - Supporting Table 5A Performance Indicators and Benchmarks											
Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.8%	0.6%	0.3%	0.6%	2.6%	2.6%	2.6%	0.2%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	6.3%	4.8%	2.4%	2.3%	13.6%	13.6%	13.6%	1.5%	0.2%	0.0%
Borrowed funding of 'ow n' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	41.7%	-8.3%	378.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.4	0.5	0.6	1.6	0.8	0.8	0.8	1.8	2.5	3.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.4	0.5	0.6	1.6	0.8	0.8	0.8	1.8	2.5	3.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.0	0.3	0.3	0.3	0.3	1.1	1.6	1.8
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		35.7%	50.6%	96.0%	55.0%	101.0%	101.0%	101.0%	64.5%	64.6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		35.7%	50.6%	96.0%	55.0%	101.0%	101.0%	101.0%	64.5%	64.6%	64.6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	15.6%	14.1%	11.8%	23.8%	8.7%	8.7%	8.7%	9.3%	11.7%	14.5%
<u>Creditors Management</u>											
Creditors to Cash and Investments		-477.3%	2951.6%	2264.0%	279.2%	346.4%	346.4%	346.4%	87.6%	58.9%	50.5%
Employee costs	Employee costs/(Total Revenue - capital revenue)	45.3%	48.3%	48.3%	37.2%	40.4%	40.4%	40.4%	37.1%	39.3%	42.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	58.8%	57.8%	57.8%	45.5%	49.7%	49.7%		43.4%	46.0%	49.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.3%	2.9%	4.3%	6.5%	6.4%	6.4%		4.7%	5.0%	5.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	16.7%	11.7%	17.4%	8.3%	7.0%	7.0%	7.0%	12.0%	6.5%	6.9%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	13.6	23.7	22.3	7.7	7.7	7.7	14.4	17.3	18.0	19.1
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	119.7%	132.3%	87.6%	105.2%	53.9%	53.9%	53.9%	67.4%	80.0%	91.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(1.1)	0.1	0.1	1.1	0.7	0.7	0.7	2.4	3.4	3.7

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2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy





2.5 Overview of budget assumptions

2.5.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

-  National Government macro economic targets;
-  The general inflationary outlook and the impact on Municipality's residents and businesses;
-  The impact of municipal cost drivers; and
-  The increase in the cost of remuneration. Employee related costs comprise 42% of total operating expenditure in the 2015/16 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions has lapsed, a new agreement is being negotiated currently, we are waiting for the outcome. National

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treasury recommended that we factor in 4.4% for 2015/16, 6.15% and 5.85% two outer years respectively.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2015/16 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.5.4 Collection rate for revenue services

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 75. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (75 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 75 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing households is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the

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household exist, but that no consumer revenue is derived as the poor household limits consumption to the level of free basic services.

2.5.6 Salary increases

The wage bill over the MTREF has been increased at a rate of 4.4 per cent, 6.15 per cent and 5.85 per cent in the two outer years of the MTREF as guided by MFMA circular 75.





2.5.7 Remuneration of Councillors

It has been assumed that the number of Councillors will remain 42 in 2015/16. And that the Speaker, Mayor, Deputy Mayor and MPACC chairperson will be remunerated at upper limits applicable to full-time councillors.

The remuneration of Councillors has been budgeted for based at the upper limits equivalent to 95% of remuneration packages for a Grade 3 municipality gazetted by the Minister of Cooperative Governance and Traditional Affairs (Cogta) in February 2014

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

-  Creating jobs;
-  Enhancing education and skill development;
-  Rural development and agriculture; and
-  Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

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2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 100% on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

2.5.10 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

Table 28 Sources of capital revenue over the MTREF

Vote Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funded by:									
National Government		59 983	55 418	51 945	45 679	45 679	42 381	44 099	48 173
Transfers recognised - capital	4	59 983	55 418	51 945	45 679	45 679	42 381	44 099	48 173
Borrowing	6	–	–	–	7 950	–	–	–	–
Internally generated funds		2 797	9 326	714	4 309	3 864	5 492	6 600	1 500
Total Capital Funding	7	62 780	64 744	52 659	57 938	49 543	47 873	50 699	49 673

Capital grants and receipts equates to 88.5% of the total funding source which represents R42.3 million for the 2015/16 financial year. Borrowings equates to 0% whilst own funds equate to only 11.5% in 2015/16 financial period.

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Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 29 MBRR SA10 – Funding compliance measurement

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KZN265 Nongoma Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(5 249)	785	960	8 299	5 296	5 296	5 296	20 399	30 034	35 061
Cash + investments at the yr end less applications - R'000	18(1)b	2	(26 656)	(17 201)	(5 318)	2 758	(2 170)	(2 170)	(2 170)	11 741	23 931	31 449
Cash year end/monthly employee/supplier payments	18(1)b	3	(1.1)	0.1	0.1	1.1	0.7	0.7	0.7	2.4	3.4	3.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	43 807	63 213	38 506	54 482	51 060	51 060	51 060	52 913	56 442	50 286
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	3.1%	44.2%	110.7%	(39.9%)	(6.0%)	(6.0%)	(0.1%)	(0.0%)	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	35.7%	50.6%	96.0%	55.0%	101.0%	101.0%	101.0%	64.5%	64.6%	64.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	17.6%	10.8%	18.9%	4.2%	6.4%	6.4%	6.4%	8.6%	8.6%	8.6%
Capital payments % of capital expenditure	18(1);19	8	100.2%	100.0%	100.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	41.7%	(8.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Gov't legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	20.6%	(1.4%)	159.7%	(66.1%)	0.0%	0.0%	32.4%	25.8%	21.8%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.0%	1.2%	2.0%	2.7%	2.9%	2.9%	2.7%	2.4%	2.2%	2.1%
Asset renew al % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supporting indicators												
% incr total service charges (incl prop rates)	18(1)a			9.1%	50.2%	116.7%	(33.9%)	0.0%	0.0%	5.9%	6.0%	6.0%
% incr Property Tax	18(1)a			9.7%	61.1%	130.4%	(35.9%)	0.0%	0.0%	6.0%	6.0%	6.0%
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			6.7%	(3.3%)	5.7%	0.0%	0.0%	0.0%	4.8%	5.9%	5.6%
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		8 581	9 362	13 952	30 161	19 970	19 970	19 970	21 147	22 414	23 751
Service charges			8 442	9 213	13 835	29 984	19 806	19 806	19 806	20 975	22 232	23 559
Property rates			6 973	7 646	12 320	28 382	18 204	18 204	18 204	19 296	20 454	21 681
Service charges - refuse removal			1 470	1 568	1 515	1 602	1 602	1 602	1 602	1 679	1 778	1 877
Rental of facilities and equipment			139	149	117	177	164	164	164	172	182	192
Capital expenditure excluding capital grant funding			2 797	9 326	714	12 259	3 864	3 864	3 864	5 492	6 600	1 500
Cash receipts from ratepayers	18(1)a		3 525	6 080	16 564	17 522	21 605	21 605	21 605	14 472	15 340	16 261
Ratepayer & Other revenue	18(1)a		9 885	12 012	17 251	31 870	21 383	21 383	21 383	22 421	23 763	25 176
Change in consumer debtors (current and non-current)			1 948	2 116	(172)	19 516	(1 449)	(1 449)	(1 449)	(17 477)	3 678	3 904
Operating and Capital Grant Revenue	18(1)a		119 025	147 180	144 072	146 549	146 399	146 399	146 399	172 015	172 461	172 876
Capital expenditure - total	20(1)(vi)		62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
Supporting benchmarks												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY										128 351	127 041	123 343
DoRA capital grants total MFY										42 891	44 609	48 683
Provincial operating grants										723	761	800
Provincial capital grants										-	-	-
District Municipality grants										50	-	-
Total gazetted/advised national, provincial and district grants										172 015	172 411	172 826
DoRA operating												
Equitable share										123 997	124 259	120 410
Municipal systems improvement grant										930	957	1 033
Finance management grant										1 800	1 825	1 900
other grants (EPWP, provincial allocations)										2 347	761	800
										129 074	127 802	124 143
DoRA capital												
Integrated National electrification programme										12 000	12 600	15 000
Municipal Infrastructure grant										30 891	32 009	33 683
										42 891	44 609	48 683

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Trend													
Total Operating Revenue				65 931	87 940	103 670	133 252	123 290	123 290	123 290	152 789	152 933	150 760
Total Operating Expenditure				85 507	96 514	123 293	124 449	117 910	117 910	117 910	142 767	141 100	149 157
Operating Performance Surplus/(Deficit)				(19 577)	(8 573)	(19 624)	8 803	5 381	5 381	5 381	10 022	11 833	1 603
Cash and Cash Equivalents (30 June 2012)											20 399		
Revenue													
% Increase in Total Operating Revenue					33.4%	17.9%	28.5%	(7.5%)	0.0%	0.0%	23.9%	0.1%	(1.4%)
% Increase in Property Rates Revenue					32.8%	61.1%	90.0%	(32.5%)	0.0%	0.0%	6.0%	6.0%	6.0%
% Increase in Electricity Revenue					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges					9.1%	50.2%	116.7%	(33.9%)	0.0%	0.0%	5.9%	6.0%	6.0%
Expenditure													
% Increase in Total Operating Expenditure					12.9%	27.7%	0.9%	(5.3%)	0.0%	0.0%	21.1%	(1.2%)	5.7%
% Increase in Employee Costs					42.2%	17.7%	(0.9%)	0.5%	0.0%	0.0%	13.8%	6.2%	5.8%
% Increase in Electricity Bulk Purchases					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)						3573687.929	3542179.341				3542546.163		
Average Cost Per Councillor (Remuneration)						234457.4286	263148.6107				285613.2305		
R&M % of PPE				2.0%	1.2%	2.0%	2.7%	2.9%	2.9%		2.4%	2.2%	2.1%
Asset Renewal and R&M as a % of PPE				2.0%	1.0%	2.0%	3.0%	3.0%	3.0%		2.0%	2.0%	2.0%
Debt Impairment % of Total Billable Revenue				17.6%	10.8%	18.9%	4.2%	6.4%	6.4%	6.4%	8.6%	8.6%	8.6%
Capital Revenue													
Internally Funded & Other (R'000)				2 797	9 326	714	4 309	3 864	3 864	3 864	5 492	6 600	1 500
Borrowing (R'000)				–	–	–	7 950	–	–	–	–	–	–
Grant Funding and Other (R'000)				59 983	55 418	51 945	45 679	45 679	45 679	45 679	42 381	44 099	48 173
Internally Generated funds % of Non Grant Funding				100.0%	100.0%	100.0%	35.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing % of Non Grant Funding				0.0%	0.0%	0.0%	64.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding				95.5%	85.6%	98.6%	78.8%	92.2%	92.2%	92.2%	88.5%	87.0%	97.0%
Capital Expenditure													
Total Capital Programme (R'000)				62 780	64 744	52 659	57 938	49 543	49 543	49 543	47 873	50 699	49 673
Asset Renewal				–	–	–	–	–	–	–	–	–	–
Asset Renewal % of Total Capital Expenditure				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash													
Cash Receipts % of Rate Payer & Other				35.7%	50.6%	96.0%	55.0%	101.0%	101.0%	101.0%	64.5%	64.6%	64.6%
Cash Coverage Ratio				(0)	0	0	0	0	0	0	0	0	0
Borrowing													
Credit Rating (2009/10)											0		
Capital Charges to Operating				0.8%	0.6%	0.3%	0.6%	2.6%	2.6%	2.6%	0.2%	0.0%	0.0%
Borrowing Receipts % of Capital Expenditure				41.7%	(8.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves													
Surplus/(Deficit)				(26 656)	(17 201)	(5 318)	2 758	(2 170)	(2 170)	(2 170)	11 741	23 931	31 449
Free Services													
Free Basic Services as a % of Equitable Share				0.1%	0.0%	0.0%	0.1%	0.1%	0.1%		0.1%	0.1%	0.1%
Free Services as a % of Operating Revenue (excl operational transfers)				5.9%	4.9%	0.0%	3.4%	4.9%	4.9%		4.7%	4.4%	4.1%
High Level Outcome of Funding Compliance													
Total Operating Revenue				65 931	87 940	103 670	133 252	123 290	123 290	123 290	152 789	152 933	150 760
Total Operating Expenditure				85 507	96 514	123 293	124 449	117 910	117 910	117 910	142 767	141 100	149 157
Surplus/(Deficit) Budgeted Operating Statement				(19 577)	(8 573)	(19 624)	8 803	5 381	5 381	5 381	10 022	11 833	1 603
Surplus/(Deficit) Considering Reserves and Cash Backing				(46 232)	(25 775)	(24 941)	11 561	3 210	3 210	3 210	21 764	35 764	33 053
MTREF Funded (1) / Unfunded (0)	15	0	0	0	0	0	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓

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Table 30 MBRR SA15 – Investment particulars by type

Investment type	Ref:	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<u>Parent municipality</u>										
Securites - National Government		-	-	-	-	-	-	-	-	-
Listed Corporate Bonds		-	-	-	-	-	-	-	-	-
Deposits - Bank		888	(103)	(7)	1 645	1 961	1 961	3 205	4 522	5 913
Deposits - Public Investment Commissioners		-	-	-	-	-	-	-	-	-
Deposits - Corporation for Public Deposits		-	-	-	-	-	-	-	-	-
Bankers Acceptance Certificates		-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit - Banks		-	-	-	-	-	-	-	-	-
Guaranteed Endow ment Policies (sinking)		-	-	-	-	-	-	-	-	-
Repurchase Agreements - Banks		-	-	-	-	-	-	-	-	-
Municipal Bonds		-	-	-	-	-	-	-	-	-
Municipality sub-total	1	888	(103)	(7)	1 645	1 961	1 961	3 205	4 522	5 913
<u>Entities</u>										
Securites - National Government		-	-	-	-	-	-	-	-	-
Listed Corporate Bonds		-	-	-	-	-	-	-	-	-
Deposits - Bank		-	-	-	-	-	-	-	-	-
Deposits - Public Investment Commissioners		-	-	-	-	-	-	-	-	-
Deposits - Corporation for Public Deposits		-	-	-	-	-	-	-	-	-
Bankers Acceptance Certificates		-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit - Banks		-	-	-	-	-	-	-	-	-
Guaranteed Endow ment Policies (sinking)		-	-	-	-	-	-	-	-	-
Repurchase Agreements - Banks		-	-	-	-	-	-	-	-	-
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		888	(103)	(7)	1 645	1 961	1 961	3 205	4 522	5 913

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2.6 Expenditure on grants and reconciliations of unspent funds

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

Table 31MBRR Table SA 18 - Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating Transfers and Grants										
National Government:		55 328	75 072	84 632	100 009	100 009	100 009	128 351	127 041	123 343
Local Government Equitable Share		53 088	71 777	81 167	96 234	96 234	96 234	123 997	124 259	120 410
Finance Management		1 450	1 500	1 643	1 800	1 800	1 800	1 800	1 825	1 900
Municipal Systems Improvement		790	800	865	934	934	934	930	957	1 033
EPWP Incentive		–	995	956	1 041	1 041	1 041	1 624	–	–
Provincial Government:		233	301	691	811	661	661	723	761	800
Provincialisation of Libraries		233	245	514	535	535	535	553	582	612
Community Library Services		–	–	120	126	126	126	170	179	188
sports fields maintenance		–	–	43	150	–	–	–	–	–
District Municipality:		100	20	–	50	50	50	50	–	–
Tourism		100	20	–	50	50	50	50	–	–
Total Operating Transfers and Grants	5	55 661	75 393	85 322	100 870	100 720	100 720	129 124	127 802	124 143
Capital Transfers and Grants										
National Government:		61 368	71 787	58 130	45 679	45 679	45 679	42 891	44 609	48 683
Municipal Infrastructure Grant (MIG)		20 868	17 936	25 950	29 812	29 812	29 812	30 891	32 009	33 683
Neighbourhood Development Partnership		40 500	37 685	22 604	9 867	9 867	9 867	–	–	–
Integrated National Electrification Programme		–	16 166	9 576	6 000	6 000	6 000	12 000	12 600	15 000
Total Capital Transfers and Grants	5	61 368	71 787	58 750	45 679	45 679	45 679	42 891	44 609	48 683
TOTAL RECEIPTS OF TRANSFERS & GRANTS		117 029	147 180	144 072	146 549	146 399	146 399	172 015	172 411	172 826

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Table 32 MBRR SA19 - Expenditure on transfers and grant programmes

KZN265 Nongoma - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		55 328	75 072	84 632	100 009	100 009	100 009	128 351	127 041	123 343
Local Government Equitable Share		53 088	71 777	81 167	96 234	96 234	96 234	123 997	124 259	120 470
Finance Management		1 450	1 500	1 643	1 800	1 800	1 800	1 800	1 825	1 900
Municipal Systems Improvement		790	800	865	934	934	934	930	957	1 033
EPWP Incentive		-	995	956	-	-	-	-	-	-
		-	-	-	1 041	1 041	1 041	1 624	-	-
		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
Provincial Government:		233	301	691	811	811	811	723	761	800
Provincialisation of Libraries		233	245	514	535	535	535	553	582	612
Municipal Assistance Programme		-	56	14	-	-	-	-	-	-
Community Library Services		-	-	120	126	126	126	170	179	188
sports fields maintenance		-	-	43	-	-	-	-	-	-
0		-	-	-	150	150	150	-	-	-
District Municipality:		100	20	-	50	50	50	-	-	-
Tourism		100	20	-	50	50	50	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total operating expenditure of Transfers and Grants		55 661	75 393	85 322	100 870	100 870	100 870	129 074	127 802	124 143
Capital expenditure of Transfers and Grants										
National Government:		61 368	71 787	58 130	45 679	45 679	45 679	42 891	44 609	48 683
Municipal Infrastructure Grant (MIG)		20 868	17 936	25 950	29 812	29 812	29 812	30 891	32 009	33 683
Neighbourhood Development Partnership		40 500	37 685	22 604	9 867	9 867	9 867	-	-	-
Integrated National Electrification Programme		-	16 166	9 576	6 000	6 000	6 000	12 000	12 600	15 000
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	620	-	-	-	-	-	-
Municipal Pound				620						
District Municipality:		-	-	-	-	-	-	-	-	-
Tourism										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total capital expenditure of Transfers and Grants		61 368	71 787	58 750	45 679	45 679	45 679	42 891	44 609	48 683
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		117 029	147 180	144 072	146 549	146 549	146 549	171 965	172 411	172 826

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Table 33MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

KZN265 Nongoma - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		55 641	74 077	83 675	100 009	100 009	100 009	128 351	127 041	123 343
Conditions met - transferred to revenue		55 641	74 077	83 675	100 009	100 009	100 009	128 351	127 041	123 343
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts			1 316	2 267	811	661	661	723	761	800
Conditions met - transferred to revenue		-	1 316	2 267	811	661	661	723	761	800
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts					50	50	50	50	50	50
Conditions met - transferred to revenue		-	-	-	50	50	50	50	50	50
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		55 641	75 393	85 942	100 870	100 720	100 720	129 124	127 852	124 193
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		59 983	55 418		45 679	45 679	45 679	42 381	44 099	48 173
Conditions met - transferred to revenue		59 983	55 418	-	45 679	45 679	45 679	42 381	44 099	48 173
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		59 983	55 418	-	45 679	45 679	45 679	42 381	44 099	48 173
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		115 624	130 812	85 942	146 549	146 399	146 399	171 505	171 951	172 366
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

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2.7 Councilor and employee benefits

Table 34MBRR SA22 - Summary of councilor and staff benefits

Summary of Employee and Councilor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		5 674	7 413	8 988	6 663	6 663	6 663	6 996	7 346	7 713
Pension and UIF Contributions		781	916	846	941	941	941	988	1 038	1 089
Medical Aid Contributions		75	–	–	106	206	206	216	227	238
Motor Vehicle Allowance		1 891	–	–	2 570	2 570	2 570	2 698	2 833	2 975
Cellphone Allowance		434	–	–	604	876	876	920	966	1 015
Other benefits and allowances		–	–	13	168	168	168	177	186	195
Sub Total - Councillors		8 855	8 329	9 847	11 052	11 425	11 425	11 996	12 596	13 225
% increase	4		(5.9%)	18.2%	12.2%	3.4%	–	5.0%	5.0%	5.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 890	3 342	4 219	4 144	4 144	4 144	4 383	4 651	4 923
Pension and UIF Contributions		496	409	151	688	688	688	7	8	8
Medical Aid Contributions		71	–	–	105	105	105	86	91	97
Motor Vehicle Allowance	3	96	1 043	425	520	520	520	1 378	1 463	1 548
Cellphone Allowance	3	–	–	–	–	–	–	336	357	378
Housing Allowances	3	–	–	–	17	17	17	–	–	–
Other benefits and allowances	3	459	274	1 283	936	508	508	2	2	3
Sub Total - Senior Managers of Municipality		4 012	5 068	6 078	6 411	5 983	5 983	6 192	6 571	6 956
% increase	4		26.3%	19.9%	5.5%	(6.7%)	–	3.5%	6.1%	5.9%
Other Municipal Staff										
Basic Salaries and Wages		15 024	23 030	25 525	29 673	28 337	28 337	34 371	36 486	38 620
Pension and UIF Contributions		508	587	605	6 407	7 170	7 170	8 070	8 566	9 067
Medical Aid Contributions		581	928	1 430	1 294	1 458	1 458	1 760	1 869	1 979
Overtime		1 619	1 586	2 014	2 165	1 060	1 060	1 014	1 077	1 140
Performance Bonus		1 753	1 387	2 168	2 002	3 846	3 846	2 617	2 778	2 940
Motor Vehicle Allowance	3	25	3 502	2 822	985	541	541	964	1 023	1 083
Housing Allowances	3	–	–	–	15	49	49	52	55	58
Other benefits and allowances	3	1 880	42	77	639	1 379	1 379	1 641	1 741	1 843
Payments in lieu of leave		1 341	1 591	1 908	–	–	–	–	–	–
Long service awards		3 145	4 795	7 405	–	–	–	–	–	–
Sub Total - Other Municipal Staff		25 876	37 447	43 953	43 180	43 841	43 841	50 488	53 595	56 730
% increase	4		44.7%	17.4%	(1.8%)	1.5%	–	15.2%	6.2%	5.9%
Total Parent Municipality		38 743	50 844	59 879	60 643	61 248	61 248	68 676	72 762	76 912
			31.2%	17.8%	1.3%	1.0%	–	12.1%	5.9%	5.7%
TOTAL SALARY, ALLOWANCES & BENEFITS		38 743	50 844	59 879	60 643	61 248	61 248	68 676	72 762	76 912
% increase	4		31.2%	17.8%	1.3%	1.0%	–	12.1%	5.9%	5.7%
TOTAL MANAGERS AND STAFF	5,7	29 888	42 515	50 031	49 590	49 823	49 823	56 681	60 166	63 686

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Table 35 MBRR SA23 – Salaries, allowances and benefits – councillors and senior management

KZN265 Nongoma - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4	1	354 405	79 670	170 625			604 701
Executive Mayor		1	442 110	100 130	206 680			748 921
Deputy Executive Mayor		1	353 969	80 107	170 625			604 701
Executive Committee		6	1 133 687	606 261	218 289			1 958 238
Total for all other councillors		33	4 643 140	774 630	2 661 733			8 079 503
Total Councillors	8	42	6 927 311	1 640 798	3 427 954			11 996 063
Senior Managers of the Municipality	5							
Municipal Manager (MM)		1	711 075	1 948	472 102	–		1 185 125
Chief Finance Officer		1	639 968	10 614	416 032	–		1 066 613
HOD-Corporate Services		1	800 752	36 462	121 395	–		958 610
HOD-Technical Services		1	746 754	1 948	317 911	–		1 066 613
HOD-Social Services		1	667 005	29 859	260 840	–		957 704
HOD-Planning & Economic Development		1	817 042	14 636	126 026	–		957 704
Total Senior Managers of the Municipality	8, 10	6	4 382 597	95 468	1 714 305	–		6 192 370
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	48	11 309 908	1 736 266	5 142 259	–		18 188 433

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Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure

KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure															
Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure	
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +2 2017/18
R thousand															
Revenue By Source															
Property rates		1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	16 740	17 744
Property rates - penalties & collection charges		213	213	213	213	213	213	213	213	213	213	213	213	2 556	2 710
Service charges - refuse revenue		140	140	140	140	140	140	140	140	140	140	140	140	1 679	1 778
Rental of facilities and equipment		14	14	14	14	14	14	14	14	14	14	14	14	172	182
Interest earned - external investments		104	104	104	104	104	104	104	104	104	104	104	104	1 244	1 317
Fines		33	33	33	33	33	33	33	33	33	33	33	33	397	420
Licences and permits		56	56	56	56	56	56	56	56	56	56	56	56	671	710
Transfers recognised - operational		51 399	2 133	-	170	41 455	-	-	488	33 479	-	-	-	129 124	127 852
Other revenue		17	17	17	17	17	17	17	17	17	17	17	17	206	218
Total Revenue (excluding capital transfers and contributions)		53 371	4 105	1 972	2 142	43 427	1 972	1 972	2 461	35 451	1 972	1 972	1 972	152 789	150 760
Expenditure By Type															
Employee related costs		4 532	4 532	4 532	4 532	4 532	4 532	4 532	4 532	4 532	4 532	4 532	4 532	55 681	60 167
Remuneration of councillors		1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000	999	11 996	12 596
Debt impairment		152	152	152	152	152	152	152	152	152	152	152	151	1 819	1 926
Depreciation & asset impairment		1 528	1 528	1 528	1 528	1 528	1 528	1 528	1 528	1 528	1 528	1 528	1 528	18 330	9 931
Finance charges		2	2	2	2	2	2	2	2	2	2	2	2	19	1
Contracted services		1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232	1 232	14 785	16 710
Transfers and grants		17	17	17	17	17	17	17	17	17	17	17	18	207	156
Other expenditure		3 244	3 244	3 244	3 244	3 244	3 244	3 244	3 244	3 244	3 244	3 244	3 244	38 929	40 591
Total Expenditure		11 706	11 706	11 706	11 706	11 706	11 706	11 706	11 706	11 706	11 706	11 706	14 005	142 767	141 100
Surplus/(Deficit)		41 665	(7 601)	(9 733)	(9 563)	31 721	(9 733)	(9 733)	(9 245)	23 746	(9 733)	(9 733)	(12 033)	10 022	11 833
Transfers recognised - capital		16 990	-	-	6 000	9 885	4 000	-	2 000	4 016	-	-	-	42 891	44 609
Surplus/(Deficit)	1	58 655	(7 601)	(9 733)	(3 563)	41 607	(5 733)	(9 733)	(7 245)	27 762	(9 733)	(9 733)	(12 033)	52 913	56 442

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2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

Table 39 MBRR SA33 – Contracts having future budgetary implications

No such contracts in place.

2.9 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

KZN265 Nongoma - Supporting Table SA34a Capital expenditure on new assets by asset class

KEN205 Nongoma - Supporting Table SA34 Capital expenditure on new assets by asset class											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue &			
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
Capital expenditure on new assets by Asset Class/Sub-class											
Infrastructure	2	46 569	55 418	51 945	51 679	45 679	45 679	42 381	44 099	48 173	
Infrastructure - Road transport		30 109	42 918	44 423	45 679	39 679	39 679	30 381	31 499	33 173	
Roads, Pavements & Bridges		30 109	42 918	44 423	45 679	39 679	39 679	30 381	31 499	33 173	
Infrastructure - Electricity		-	12 500	7 523	6 000	6 000	6 000	12 000	12 600	15 000	
Transmission & Reticulation			12 500	7 523	6 000	6 000	6 000	12 000	12 600	15 000	
Infrastructure - Other		16 461	-	-	-	-	-	-	-	-	
Waste Management		169									
Transportation		16 292									
Community			13 582	-	-	-	-	-	-	-	-
Sportsfields & stadia			2 872								
Community halls		4 823									
Recreational facilities		482									
Museums & Art Galleries		5 405									
Other assets		2 628	9 326	714	6 259	3 864	3 864	5 492	6 600	1 500	
General vehicles		2 051	199		1 950	1 100	1 100	3 130	5 600	500	
Plant & equipment		19	108	74	1 454	1 454	1 454	353	-	-	
Computers - hardware/equipment		195	344	148	258	283	283	277	-	-	
Furniture and other office equipment		363	160	382	497	497	497	1 232	-	-	
Other Buildings		-	8 515	-	-	-	-	200	1 000	1 000	
Other		-	-	110	2 100	530	530	300	-	-	
Total Capital Expenditure on new assets	1	62 780	64 744	52 659	57 938	49 543	49 543	47 873	50 699	49 673	

NONGOMA MUNICIPALITY

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Table 41 MBRR SA34b - Capital expend on the renewal of existing assets by asset class

No such expenditure.

Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2011/12	2012/13	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Infrastructure - Road transport		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Roads, Pavements & Bridges		1 901	1 019	4 085	4 197	4 197	4 398	4 658	4 919
Other assets		941	1 529	4 587	3 651	3 651	2 794	2 958	3 124
General vehicles		447	510	1 009	1 109	1 109	1 162	1 230	1 299
Plant & equipment		40	255	101	66	66	69	73	77
Computers - hardware/equipment		39							
Furniture and other office equipment		200							
Other Buildings		216	765	3 476	2 476	2 476	1 562	1 655	1 747
Total Repairs and Maintenance Expenditure	1	2 842	2 548	8 672	7 848	7 848	7 192	7 616	8 043
R&M as a % of PPE		2.0%	1.3%	2.7%	2.9%	2.9%	2.3%	2.2%	2.0%
R&M as % Operating Expenditure		3.3%	2.6%	7.0%	6.7%	6.7%	5.5%	5.5%	5.5%

NONGOMA MUNICIPALITY

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2.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Audit Committee is functioning satisfactorily during the year.

5. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

NONGOMA MUNICIPALITY

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2.11 Municipal manager's quality certificate

I, BE Ntanzi, municipal manager of Nongoma Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

BE Ntanzi

Municipal manager of Nongoma Municipality (KZN265)

Signature _____

Date 25 May 2015